2021 ANNUAL REPORT

FOCUS

Argo’s fundamental operating principles are designed to create an efficient organization that is focused on delivering results and increasing shareholder value.

ARGO GROUP

Executive Leadership

Board of Directors

Thomas A. Bradley Chief Executive Officer of Argo Group	**Executive Chairman of the Board**	
Fred R. Donner Senior Managing Director in the Global Insurance Practice, FTI Consulting	**Director**	1 4
Dymphna A. Lehane Former Global Managing Partner of Accenture	**Director**	2 4
Samuel G. Liss Managing Principal, Whitegate Partners LLC	**Director**	3 2 5
Al-Noor Ramji Former Group Chief Digital Officer, Prudential PLC	**Director**	4 5
Carol A. McFate Former Chief Investment Officer, Xerox Corporation	**Director**	5 1
Bernard C. Bailey President of Paraquis Solutions	**Lead Independent Director**	1 2 3
Anthony P. Latham Retired Managing Director of Global Risks Division, RSA Group	**Director**	3 4
J. Daniel Plants Chief Investment Officer, Voce Capital Management LLC	**Director**	2

Senior Management Argo Group International Holdings Ltd.

Thomas A. Bradley Chief Executive Officer	6
Scott Kirk Chief Financial Officer	6
Susan Comparato Chief Administrative Officer	6
Allison Kiene General Counsel and Secretary	6
Ronald Swanstrom Chief Reserving Actuary	
Mark Wade Chief Claims Officer	
Mark H. Rose Chief Investment Officer	
Michael Murphy Chief Internal Auditor	
Alex Hindson Chief Risk & Sustainability Officer	
David Chan Chief Accounting Officer	

U.S. Operations

Jessica Snyder President, U.S. Insurance	6
Gary Grose President, Commercial Specialty	
Marsh Duncan President, Excess & Surplus	
Frank Mike-Mayer Chief Underwriting Officer	
Mary Henderson President, Argo Pro	
Alan Wynn Head Of Commercial Programs	
Jayson Taylor Head of Excess Casualty	
Christopher Schramm Head of Primary Casualty	
Leah Ohodnicki Head of Specialty Programs	
Kristyn Smallcombe Head of Construction	
David Corry Head of Environmental	
Sandy Zrimsek Vice President, Garage	
Eric Michel Head of Inland Marine	
Kurt Tipton President, Rockwood	
Brendan Keating Co-Lead, Argo Surety	
Mark Farina Co-Lead, Argo Surety	

International Operations

Dominic Kirby Managing Director, Argo Managing Agency, Ltd.

John Moffatt Chief Underwriting Officer & Active Underwriter – Syndicate 1200

Bill Wharton Head of Argo Insurance – Bermuda

1 Member of the Audit Committee of the Board of Directors
2 Member of the Human Resources Committee of the Board of Directors
3 Member of the Nominating and Corporate Governance Committee of the Board of Directors
4 Member of the Risk & Capital Committee of the Board of Directors
5 Member of the Investment Committee of the Board of Directors
6 Executive Officer
Committee Chair

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number: 1-15259

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

(Exact name of Registrant as specified in its charter)

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

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

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

Title of Security	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value of $1.00 per share	ARGO	New York Stock Exchange
6.500% Senior Notes due 2042 issued by Argo Group U.S., Inc. and the Guarantee with respects thereto	ARGD	New York Stock Exchange
Depositary Shares, Each Representing a 1/1000th Interest in a 7.00% Resettable Fixed Rate Preference Share, Series A, Par Value $1.00 Per Share	ARGOPrA	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, or a smaller reporting 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.

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

If an emerging growth company, indicate by check mark if 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2021, the aggregate market value of the common stock held by non-affiliates was approximately $1,796.5 million.

As of March 14, 2022, the Registrant had 34,888,872 shares of common stock outstanding (less treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates by reference specific portions of the Registrant's Proxy Statement relating to the 2022 Annual General Meeting of Shareholders to be filed within 120 days after the end of the fiscal year to which this report relates.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
Annual Report on Form 10-K
For the Year Ended December 31, 2021

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K for the year ended December 31, 2021 (this "Form 10-K") are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Our forward-looking statements include, but are not limited to, statements regarding our or our management's projections, forecasts, expectations, beliefs, intentions or strategies, and include all statements that do not relate solely to historical or current facts. Forward-looking statements may be identified by the use of words such as "expect," "intend," "plan," "believe," "do not believe," "aim," "project," "anticipate," "seek," "will," "likely," "assume," "estimate," "may," "continue," "guidance," "objective," "remain optimistic," "path toward," "outlook," "trends," "future," "could," "would," "should," "target," "on track" and similar expressions of a future or forward-looking nature.

There can be no assurance that actual developments will be those anticipated by Argo Group International Holdings, Ltd. Throughout this Form 10-K, unless the context otherwise requires, references to "Argo Group," "we," "us," "our" or the "Company" mean Argo Group International Holdings, Ltd. and all of its subsidiaries, taken together as a whole. Actual results may differ materially as a result of significant risks and uncertainties including but not limited to:

Insurance Underwriting Risks:

- the adequacy of our projected loss reserves, which may be affected by both internal and external events, including:
    - the judgement used in selecting actuarial assumptions and weighing the indications of the various actuarial methods in developing our ultimate loss selection;
    - the development of claims that varies from that which was expected when loss reserves were established;
    - adverse legal rulings which may impact the liability under insurance contracts beyond that which was anticipated when the reserves were established;
    - development of new theories related to coverage which may increase liabilities under insurance contracts beyond that which were anticipated when the loss reserves were established;
    - reinsurance coverage being other than what was anticipated when the loss reserves were established;
    - changes in claims handling procedures;
    - economic and social inflation;
- our ability to compete effectively;
- actions by our competitors, many of which have a larger capital base and are more highly rated than we are;
- unexpected changes in the claims environment or catastrophes and terrorist acts;
- the ongoing impact of the COVID-19 pandemic (including variant strains);
- the impact of global climate change and related regulation, including physical risks and transition risks;
- our dependence on insurance and reinsurance agents and brokers as distribution channels;
- changes in the pricing environment and the cyclical nature of our business, with periods with excess underwriting capacity and unfavorable premium rates and other periods with a shortage of underwriting capacity when premium rates are strong;
- our agents and producers exceeding their underwriting authorities or breaching obligations owed to us;

Operational Risks:

- our ability to attract and retain qualified employees and key executives;
- loss of our executive officers or other key personnel or other changes to our management team;
- the adequacy of our strategies and processes to mitigate insurance risk;
- the effectiveness of our internal controls;
- our dependence on our information technology network and the impact of any cybersecurity breach;
- our ability to adequately protect customer personal information;
- our ability to effectively select, develop, implement and monitor our outsourcing relationships;
- failure to execute on expense targets;

Financial Risks:

- the impact of any prolonged recession or a period of significant turmoil in the U.S. and international financial markets;
- changes in economic and political conditions, including inflation and changes in interest rates;
- market and credit risks that may impact our investment portfolio;
- foreign currency fluctuations;
- the availability, cost or quality of reinsurance;
- any impairment in the carrying value of goodwill and other intangible assets;
- any impairment or allowances of our investments;
- any failure of one or more reinsurers or capital market counterparties to meet their payment obligations to us or our inability to collect reinsurance recoverables;
- uncertainty resulting from the discontinued use of the London Interbank Offering Rate;

Strategic Risks:

- uncertain conditions in the global economy;
- our existing indebtedness and ability to access additional capital;
- our holding company structure and certain regulatory and other constraints that affect our ability to pay dividends and make other payments;
- any ratings downgrades;
- the success of our business plan and our ability to successfully execute strategic transactions;
- uncertainty resulting from the United Kingdom's exit from the European Union;

Reputational Risks:

- any violations of laws and regulations relating to sanctions, anti-corruption and money laundering;
- actions of activist shareholders;
- any failure to meet stakeholder expectations regarding environmental, social and corporate governance matters;

Legal, Regulatory and Litigation Risks:

- the ability of our insurance subsidiaries to meet risk-based capital and solvency requirements in their respective regulatory domiciles;
- the outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation;
- regulatory constraints on our ability to operate our business, including on our ability to charge adequate rates and efficiently allocate capital;
- changes in legal environment, and changes in insurance regulations in the U.S. or other jurisdictions in which we operate;
- restrictions on the sale or change of control of the Company;
- difficulties associated with enforcing judgments against us or our directors and officers as a Bermuda company;

Taxation Risks:

- potential exposure to U.S. federal income and withholding taxes for our non-U.S. subsidiaries;
- any re-characterization or other adjustment for U.S. federal income tax purposes of agreements between our U.S. and non-U.S. subsidiaries;
- potential increased tax liabilities under the Base Erosion and Anti-Abuse Tax;
- changes in U.S. tax law;
- adverse U.S. federal income tax consequences to shareholders due to undistributed earnings and profits;
- consequences of a potential classification as a passive foreign investment company;
- adverse U.S. federal income tax consequences to our shareholders if we recognize related person insurance income;
- adverse U.S. federal income taxation that may impact U.S. persons and U.S. tax-exempt organizations who own our equity securities;
- any ineligibility for benefits under the U.S.-U.K. income tax treaty applicable to our Lloyd's Companies;
- any ineligibility for benefits under the U.S.-Ireland income tax treaty applicable to dividends paid by our U.S. subsidiaries to Argo Ireland;
- any transfer pricing adjustment in computing U.K. or U.S. taxable profits;
- adverse consequences due to changes made by the Organisation for Economic Co-operation and Development; and
- adverse taxation in the U.K. and Bermuda.

The foregoing summary of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Form 10-K, including the risk factors set forth in Item 1A, "Risk Factors." We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I

Item 1. Business

Business Overview

Argo Group, a Bermuda-based holding company, is a distinctive U.S. focused specialty insurer with well-established businesses operating in key specialty markets.

Business Strategy

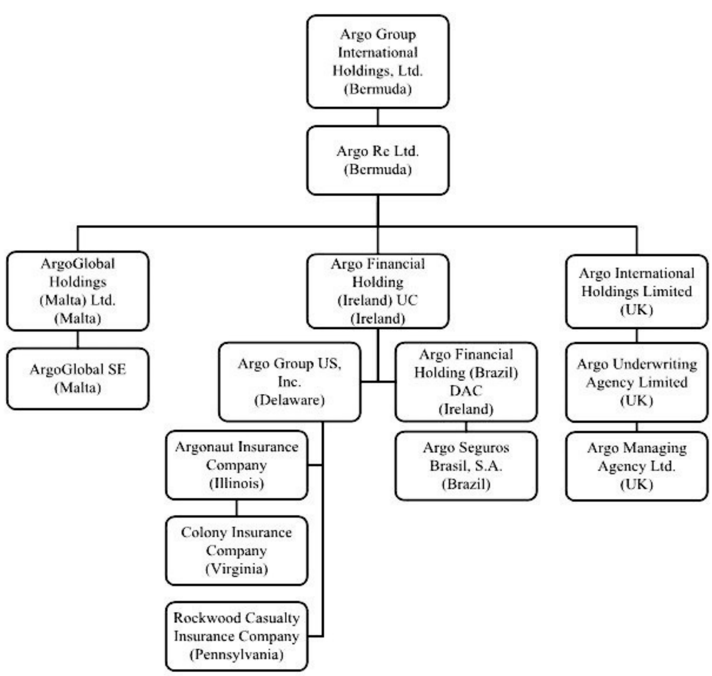
Argo Group operates in the specialty insurance market where we focus on discrete niche products or businesses that require specialized or hard-to-place coverage. We believe the specialized nature of the products we offer provides our underwriters the flexibility over rates, terms and forms to produce superior loss ratios over the long-term. Our fundamental operating principles are designed to create an efficient organization that is focused on delivering results and improved shareholder value creation. We foster a culture of accountability for successful execution of strategic plans to improve returns by deploying capital to the businesses with the best outlook for return on capital.

Our operating strategy includes, among other elements:

(1) positioning ourselves as a U.S. focused specialty insurance company;
(2) simplifying of our business;
(3) focusing on rate adequacy and underwriting discipline while providing a competitively priced product;
(4) leveraging our distribution network by providing product solutions;
(5) controlling expenses;
(6) improving financial strength and issuer credit ratings;
(7) providing quality services to agents and policyholders, including claims handling, rate, quote, bind and issue technologies to make it easier to write business;
(8) taking advantage of opportunities to acquire suitable books of business or hire underwriting teams;
(9) maintaining a balanced investment portfolio to support our underwriting operations;
(10) leveraging reinsurance to manage underwriting volatility; and
(11) investing in innovation and technology enhancements to improve efficiency.

Our Structure

The following is a summary organizational chart of Argo Group as of December 31, 2021:



Business Segments and Products

For the year ended December 31, 2021, our operations included two primary reportable segments - U.S. Operations and International Operations. In addition to these main business segments, we have a Run-off Lines segment for certain products we no longer underwrite. For discussion of the operating results of each business segment, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 19, "Segment Information," in the Notes to the Consolidated Financial Statements.

On October 4, 2021, we reached an agreement to sell our Brazilian operations, Argo Seguros Brasil S.A. ("Argo Seguros"), to Spice Private Equity Ltd., an investment company focused on global private equity investments. The sale was completed on February 15, 2022. On December 20, 2021, we reached an agreement to sell our European operations, ArgoGlobal Holdings (Malta) Ltd. and its subsidiaries, to Riverstone Holdings Limited (part of the RiverStone International group). Closing of the transaction is subject to regulatory approval and is expected to occur during the first half of 2022.

For a discussion of these and other recent transactions, please refer to Note 2, "Recent Acquisitions, Disposals & Other Transactions," in the Notes to the Consolidated Financial Statements.

U.S. Operations

The U.S. Operations business is distributed through retail, wholesale, and managing general brokers/agents in the specialty insurance market. This segment is a leader in the U.S. specialty insurance market, specifically through its Excess and Surplus Lines ("E&S") businesses focusing on U.S.-based risks that the standard, admitted insurance markets is unwilling or unable to underwrite. The E&S businesses are often able to underwrite risks using more flexible policy terms and rating structures. The other U.S. businesses use their underwriting expertise in specific industry classes or exposures to write niche classes of business primarily in the admitted insurance market.

Our E&S businesses operate primarily through the Colony Specialty platform, acquired in 2002. Although focused primarily on non-admitted business, Colony Specialty may also underwrite certain classes of business on an admitted basis. The following businesses primarily use the Colony Specialty Platform:

<u>Argo Construction</u>

Argo Construction is a casualty business unit that specializes in construction risks writing primary and supported excess coverage to the contractor segment. The unit leverages their industry expertise to handle all insurance needs of contractors. Argo Construction's specialized underwriters understand the rates, pricing and coverages needed to meet contractors' insurance requirements and help project owners succeed. This business unit is segmented into four groups: New York Construction, Middle Market Construction, Owners Interest / Owners and Contractors Protective, Specialty Construction and Specialty Construction Excess.

<u>Colony Contract P&C</u>

Effective October 1, 2021, Argo Group sold the renewal rights for our contract binding Property and Casualty business to Mesa Underwriters Specialty Insurance Company (MUSIC), the excess and surplus lines subsidiary of Selective Insurance Group, Inc. Colony Specialty will continue to service in-force policies until their expiration dates. This business unit provided general liability and property coverages through select managing general agents via delegated authority. Risks include small contractors, premises liability, light to medium hazardous products/completed operations exposures, as well as property exposures.

<u>Argo Casualty</u>

Argo Casualty offers casualty insurance for hospitality, manufacturers, and premises risks and specializes in writing general liability and excess, both supported and unsupported, within these segments. Its target appetite includes high-end hospitality and traditional excess and surplus risks in this space.

<u>Argo Property</u>

Effective December 15, 2021, Argo Group sold the renewal rights of its US Specialty Property business to Westfield Insurance. Argo Property provided a full suite of property products to its wholesale trading partners, with a focus on cat-exposed E&S property coverages. Argo Group will continue to service in-force policies until their expiration dates.

Argo Environmental

Argo Environmental provides environmental liability insurance and related insurance products to a range of businesses, including those that operate in the environmental industry and those that face environmental liabilities arising from their industrial and commercial activities.

Colony Specialty Garage

Colony Specialty Garage provides both admitted and non-admitted garage products through wholesale general agents. This unit provides products designed to cover a wide range of auto dealer and auto service operations. Auto dealers include operations involved in selling new or used autos, trailers, recreational vehicles, motorcycles and off-road vehicles. Auto service/repair includes operations involved in auto and specialized vehicle service/repair, towing, salvage yards and valet parking.

Argo Inland Marine

Argo Inland Marine offers a wide range of products, coverages and services for the inland marine insurance market through a team of dedicated specialists. Inland marine insurance covers products, materials and equipment when they are transported over land, such as via truck or train, or while they are temporarily warehoused by a third party. The unit offers insurance coverage in the U.S. for builders' risk, motor-truck cargo, equipment, and other miscellaneous marine risks. Coverage is provided on a monoline basis with both primary and excess coverages available.

In addition to the E&S platform, the other U.S. businesses focus on specialty businesses that relate to specific industry classes or exposures to write niche classes of business primarily in the admitted insurance market, primarily comprised of the following:

Argo Pro

Argo Pro is our mid-market professional lines platform that provides a broad portfolio of errors and omissions, and management liability products to our retail and wholesale distribution partners. Argo Pro offers customized coverage on a primary and excess basis for risks on both an admitted and non-admitted basis, targeting the middle market and upper middle market segments. Our underwriting focus provides risk management solutions for commercial and select financial institutions, accountants, architects and engineers, commercial crime, directors and officers, employment practices, fiduciary, lawyers, miscellaneous professionals, technology, transactional liability and security and privacy.

U.S. Specialty Programs

U.S. Specialty Programs provides commercial insurance programs and fronting solutions to meet the needs of targeted, specialty lines businesses. They partner with qualified program administrators who provide underwriting expertise, risk aggregation, and strong customer service to deliver profitable underwriting results.

On April 30, 2020, Argo Group completed the sale of the Trident Public Risk Solutions ("Trident") brand and underwriting platform to Paragon Insurance Holdings, LLC ("Paragon"). Trident (now owned by Paragon) continues to write business on Argo Group paper through a managing general agency agreement with our U.S. insurance subsidiaries. Trident provides primary insurance products and risk management solutions for public-sector entities such as counties, municipalities, public schools, and other local government units and special districts.

Argo Surety

Argo Surety provides surety solutions to businesses that must satisfy various eligibility conditions in order to conduct commerce, such as licensure required by government statute or regulation, counterparty conditions found in private or public construction projects, or satisfactory performance of contracted services. Surety products are commonly grouped into two broad categories referred to as commercial bonds and contract bonds. Commercial bonds are generally required of businesses that guarantee their compliance with regulations and statutes, the payment and performance assurance for various forms of contractual obligations, or the completion of services. Contract bonds are typically third-party performance, payment or maintenance guarantees associated with construction projects. Argo Surety writes Commercial and Contract bonds targeting multiple industries, including construction (general, trade and service contractors), manufacturing, transportation, energy (coal, oil and gas), waste management, industrial equipment, technology, retail, public utilities and healthcare.

Rockwood

Rockwood Casualty Insurance Company ("Rockwood") is primarily a specialty underwriter of workers compensation, with a focus on the mining industry. It also underwrites coverage for small commercial businesses, including retail operations, light manufacturing, services and restaurants. Rockwood underwrites policies on both a large-deductible basis and on a guaranteed-cost basis for smaller commercial accounts. In addition, Rockwood provides general liability and commercial automobile coverage, as well as coverage for pollution liability, umbrella liability, and surety to support its core clients' other mining and mining-related exposures.

International Operations

This segment specializes in insurance risks through the broker market, focusing on specialty property insurance, primary/excess casualty, professional liability, and marine and energy insurance. The business is focused primarily, but not limited to, U.S.-based specialty insurance risks. This segment includes a multi-class Lloyd's Syndicate platform, a strong Bermuda trading platform and businesses in Continental Europe.

The International Operations segment operates as ArgoGlobal in addition to other brands depending on product and jurisdiction, including Argo Re, Ltd. ("Argo Re"), the Casualty and Professional Lines unit of Argo Insurance Bermuda, ArgoGlobal SE in Continental Europe, ArgoGlobal Assicurazioni in Italy and Argo Seguros in Brazil.

Lloyd's Syndicate Platform

Argo Group's Lloyd's syndicate platform includes management and participation in Syndicate 1200 as well as management and historical participation in Syndicate 1910 (prior to the sale of Ariel Re, as well as Ariel Re Bda Limited and ArgoGlobal Services (Hong Kong) Limited, to Pelican Ventures and J.C. Flowers & Co. on November 25, 2020.) Based in London, the syndicates have regional operations in Bermuda and Dubai. The syndicates are managed by the Argo Managing Agency and trade under the Lloyd's of London capital and licensing framework. Syndicate 1910 continues to be managed by Argo Managing Agency while Ariel Re awaits approval of its own Lloyd's Managing Agency, which is anticipated to occur in 2022.

Syndicate 1200 is focused on underwriting specialty insurance in the Lloyd's market, with more than half of its premiums related to U.S.-domiciled risks. Key product lines include property, non-U.S. liability, marine, energy and specialty insurance. The property division of Syndicate 1200 concentrates mainly on North American commercial properties, but is also active in the residential sector, including collateral protection insurance programs for lending institutions. A portion of business is underwritten through the use of binding authorities, whereby we delegate underwriting authority to another party, usually a broker or underwriting agent. The liability division underwrites professional indemnity and general liability insurance, with an emphasis on Canada, Australia and the United Kingdom (the "U.K."). The marine and energy division underwrites cargo, upstream energy, and marine liability insurance. The specialty division underwrites personal accident, credit and political risks, political violence and contingency insurance. In 2021, we discontinued writing contingency insurance.

For the 2021 year of account, approximately 9% of Syndicate 1200's underwriting capital was related to third parties, including other (re)insurance groups ("trade capital") and high net worth individuals who want to participate in our underwriting. This is in contrast to 2020 and prior years when up to one-half of the underwriting capital was provided by trade capital providers that participated on a quota share basis behind an Argo Group-owned corporate member or directly through their own member. The flexibility in the sources of capital allows us to manage underwriting exposure over the insurance cycle. Our economic participation in the syndicate varies by year of account based on our risk appetite and the availability of third-party capital. This business earns a return on the underwriting capital that is provided by us and from fee income earned from the management of third-party capital.

Syndicate 1910 underwrote reinsurance through the trade name Ariel Re, which operated in two areas - treaty property and specialty. Treaty property reinsurance was predominantly catastrophe-focused. Specialty reinsurance encompassed marine, energy, aviation, terrorism, casualty and property. This reinsurance portfolio was focused on treaties where high-quality exposure and experience data allowed our underwriters to quantify the risk. On November 25, 2020, Argo Group completed the transfer of Ariel Re, as well as Ariel Re Bda Limited and ArgoGlobal Services (Hong Kong) Limited, to Pelican Ventures and J.C. Flowers & Co.

As of January 1, 2021, Argo Group no longer participated in the future results of Syndicate 1910. For the prior open years of account, the sources of the underwriting capital for Syndicate 1910 included our interest and capital from trade capital and high net worth individuals. Our economic participation in Syndicate 1910 for prior years of account varied based on our risk appetite and the availability of third-party capital at the time.

Bermuda Insurance, Europe and Brazil

The additional international businesses include Argo Insurance Bermuda, ArgoGlobal SE, ArgoGlobal Assicurazioni in Italy and, prior to February 15, 2022, Argo Seguros business in Brazil.

Argo Insurance Bermuda offers casualty, property and professional lines, which serves the needs of clients by providing the following coverages: property, general and products liability, directors and officers liability, errors and omissions liability and employment practices liability.

Argo Seguros was our property and casualty insurance company based in Sao Paolo, Brazil, which was focused on serving that country's domestic commercial insurance market. Argo Seguros provided a broad range of commercial property, casualty and specialty coverages. Its primary lines of business were cargo and marine, property, engineering and financial lines. On October 4, 2021, we reached an agreement to sell Argo Seguros to Spice Private Equity Ltd., an investment company focused on global private equity investments. The sale was completed on February 15, 2022.

ArgoGlobal SE is based in Malta and underwrote accident & health, marine, professional liability, surety, and other property and casualty business in continental Europe. As of December 31, 2020, the majority of this business has been placed into runoff. On December 20, 2021, we reached an agreement to sell ArgoGlobal Holdings (Malta) Ltd. and its subsidiaries, to Riverstone Holdings Limited (part of the RiverStone International group.) Closing of the transaction is subject to regulatory approval and is expected to occur during the first half of 2022.

ArgoGlobal Assicurazioni underwrote professional liability, property, marine, accident & health and liability insurance in the European market with a focus on Italy. On December 23, 2020, we announced the sale of ArgoGlobal Assicurazioni to Perfuturo Capital AG ("Perfuturo"), a Swiss Holding Company. Perfuturo is fully owned by Philantra Holding AG. Completion of this transaction was subject to regulatory approval, however, because regulatory approval was not received prior to July 31, 2021, the agreement terminated under its own terms. We are not actively writing business at ArgoGlobal Assicurazioni and continue to review our strategic alternatives for the business.

Run-off Lines

The Run-off Lines segment includes outstanding liabilities associated with discontinued lines previously underwritten by our insurance subsidiaries, such as those arising from liability policies dating back to the 1960s, 1970s and into the 1980s; risk management policies written by a business unit that has since been sold to a third party; and other legacy accounts previously written by our reinsurance subsidiaries.

Marketing and Distribution

We provide products and services to well-defined niche markets. Using our capital strength and the Argo Group brand we cross market products offered by our segments amongst our different operating platforms. We offer our distribution partners tailored, innovative solutions for managing risk, using the full range of products and services we have available.

U.S. Operations

Our U.S. insurance businesses distribute products through a network of appointed wholesale agents, general agents and brokers specializing in excess and surplus lines and certain targeted admitted lines. Approximately two-thirds of E&S premium volume in 2021 was produced by wholesale brokers who submit business and rely on Argo Group to produce quotes and handle policy issuance on such accounts. The remaining one-third of E&S premium was produced through a select group of wholesale agents and managing general agents ("MGAs") to whom we have delegated limited authority to act on our behalf. These agents are granted authority to underwrite, quote, bind and issue policies in accordance with predetermined guidelines and procedures prescribed by us.

The remainder of the U.S. business uses a broad distribution platform to deliver specialty insurance products and services to our policyholders and agents. Argo Pro distributes its products through retail agents, wholesale agents, and brokers. Rockwood distributes its product lines through its network of retail and wholesale agents. U.S. Specialty Programs provides its products through selected MGAs and brokers. Inland Marine uses selected retail agents and brokers. Argo Surety distributes its products through select surety specialty agents and brokers across the United States.

International Operations

Syndicate 1200 obtains its insurance business from two main sources: the Lloyd's open market and underwriting agencies through delegated authority. In the Lloyd's open market, brokers approach Syndicate 1200 directly with risk opportunities for consideration by our underwriters. Brokers also approach Syndicate 1200 on behalf of selected underwriting agencies that are then granted limited authority delegated by the Syndicate 1200 to make underwriting decisions on these risks. In general, risks written in the open market are larger than risks written on our behalf by authorized agencies in terms of both exposure and premium. The additional International Operations' businesses obtain business through brokers and third-party intermediaries. The businesses' marketing and distribution strategies are for the most part managed by local distribution teams and underwriters based in the U.K., Bermuda and Dubai.

Competition

Argo Group competes in a wide variety of markets against numerous and varied competitors, depending on the nature of the risk and coverage being written. The competition for any one account may range from large international firms to smaller regional companies in the domiciles in which we operate. The insurance industry is highly regulated. As a result, it can be difficult for insurance companies to differentiate their products, which results in a highly competitive market based largely on price and the customer experience. The nature, size and experience of our primary competitors vary across the jurisdictions in which we do business.

U.S. Operations

Due to the diverse nature of the products we offer within our U.S. Operations, competition comes from various sources, but largely from regional companies or specific units/subsidiaries of national carriers. National carriers tend to compete for larger accounts offering coverage across all product lines.

International Operations

Competition for any one account may come from other Lloyd's syndicates, international firms or smaller regional companies. These competitors include independent insurance companies, subsidiaries or affiliates of established worldwide insurance companies, departments of certain commercial insurance companies, and underwriting syndicates.

Ratings

Ratings are an important factor in assessing our competitive position and our ability to meet our ongoing obligations. Ratings are not a recommendation to buy, sell or hold any security, and they may be revised or withdrawn at any time by the rating agency. Moreover, the ratings of each rating agency should be evaluated independently as the rating methodology and evaluation process may differ. The ratings issued on us or our subsidiaries by any of these agencies are announced publicly and are available on our website and the respective rating agency's websites. We have two types of ratings: (1) Financial Strength Ratings ("FSR") and (2) Debt Ratings or Issuer Credit Ratings ("ICR").

FSRs reflect a rating agency's assessment of an insurer's ability to meet its financial obligations to policyholders. All of our insurance companies have an FSR of "A-" (Excellent), with a stable outlook, from A.M. Best Company ("A.M. Best"), and an FSR of "A-" (Strong), with a negative outlook, from Standard & Poor's ("S&P").

ICRs reflect a rating agency's assessment of a company's prospects for repaying its debts and can be considered by lenders in connection with the setting of interest rates and terms for a company's short-term or long-term borrowings. Argo Group has an ICR and senior unsecured debt rating of "BBB-" from S&P. Argo Group has an ICR and senior unsecured debt rating of "bbb-" from A.M. Best. All of our insurance companies have an ICR of "a-" from A.M. Best.

A.M. Best FSRs range from "A++" (Superior) to "S" (Suspended) and include 16 separate ratings categories. S&P Financial Strength Ratings range from "AAA" (Extremely Strong) to "R" (under regulatory supervision) and include 21 separate ratings categories.

Syndicate 1200, our Lloyd's syndicate, received the Lloyd's market FSR rating of "A" (Excellent), with a stable outlook, by A.M. Best and "A+" (Strong), with a stable outlook, by S&P.

Regulation

General

The insurance business and related services is regulated in most countries, although the degree and type of regulation varies from one jurisdiction to another. The principal jurisdictions in which Argo Group's insurance businesses operate are Bermuda, the U.S., the European Union ("E.U."), the U.K. and Dubai. Argo Group is also regulated in other countries where it does business. A summary of the material regulations in these jurisdictions is set forth below. We may become subject to regulations in new jurisdictions or additional regulations in existing jurisdictions.

Bermuda

Insurance Group Supervision and Regulation Scheme

The Bermuda Monetary Authority ("BMA") may, in respect of an insurance group, determine whether it is appropriate for the BMA to act as its group supervisor in accordance with the Insurance Act 1978 of Bermuda and related regulations, as amended (the "Insurance Act"). The BMA's group supervision objective is to provide a coordinated approach to the regulation of an insurance group and its supervisory and capital requirements. The BMA acts as "Group Supervisor" of the Company and its regulated subsidiaries and has designated Argo Re as the designated insurer for the purposes of group supervision. As Group Supervisor, the BMA performs a number of supervisory functions including: (1) coordinating the gathering and dissemination of information which is of importance for the supervisory task of other competent authorities; (2) carrying out a supervisory review and assessment of Argo Group; (3) carrying out an assessment of Argo Group's compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (4) planning and coordinating, with other competent authorities, supervisory activities in respect of Argo Group, both as a going concern and in emergency situations; (5) taking into account the nature, scale and complexity of the risks inherent in the business of all companies that are part of Argo Group; (6) coordinating any enforcement action that may need to be taken against Argo Group or any of its members and (7) planning and coordinating meetings of colleges of supervisors (consisting of insurance regulators) in order to facilitate the carrying out of the functions described above.

The Company is not a registered insurer; however, pursuant to its functions as Group Supervisor, the BMA includes the Company and may include any member of the group as part of its group supervision.

Significant aspects of the Bermuda insurance regulatory framework and requirements imposed on insurance groups include the solvency assessment. The Company must annually perform an assessment of its own risk and solvency requirements, referred to as an insurance group's Solvency Self-Assessment ("GSSA"). The GSSA allows the BMA to obtain an insurance group's view of the capital resources required to achieve its business objectives and to assess a group's governance, risk management and controls surrounding this process.

Insurance companies as well as insurance groups are also subject to the Bermuda Solvency Capital Requirement ("BSCR"), a risk-based capital system. The BMA imposes the Enhanced Capital Requirement ("ECR") on Argo Re pursuant to its function as the Group Supervisor. Argo Group's ECR may be calculated by either (1) the standard model developed by the BMA known as the BSCR model, or (2) an internal capital model which the BMA has approved for use for this purpose. Argo Group currently uses the BSCR model in calculating the ECR requirements for Argo Group. In addition, the Company is required to prepare and submit annual audited U.S. GAAP financial statements, annual statutory financial statements, annual statutory financial return, annual capital and solvency return and quarterly unaudited financial returns for Argo Group.

The BSCR model is a risk-based capital model which provides a method for determining an insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the insurer's business. The BSCR formula establishes, on a consolidated basis, capital requirements for eleven categories of risk: fixed income investment risk, equity investment risk, interest rate/liquidity risk, currency risk, concentration risk, credit risk, premium risk, reserve risk, catastrophe risk, long-term insurance risk and operational risk.

The BMA maintains supervision over the controllers of all Bermuda registered insurers, and accordingly, any person who, directly or indirectly, becomes a holder of at least 10%, 20%, 33% or 50% of our common shares must notify the BMA in writing within 45 days of becoming such a holder (or ceasing to be such a holder). The BMA may object to such a person and require the holder to reduce its holding of common shares and direct, among other things, that voting rights attaching to the common shares shall not be exercisable.

On September 28, 2021, the BMA convened its annual supervisory college session relative to Argo Group, which included participation by the Prudential Regulatory Authority (U.K.), the Insurance Departments of the States of Illinois and Virginia (U.S.), the Malta Financial Services Authority ("MFSA") and the Italian Institute for the Supervision of Insurance ("IVASS"). Argo Group management were also invited to attend and to make a presentation at the session. The session had a positive outcome with no issues raised by the supervisory college.

Regulation of Argo Re

Classification of Insurers

The Insurance Act provides that no person may carry on an insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the BMA. Argo Re, which was incorporated as a Bermuda exempted company to operate a general insurance and reinsurance business, is registered as a Class 4 insurer in Bermuda and is regulated as such under the Insurance Act. Under the Insurance Act, no distinction is made between insurance and reinsurance business.

Principal Representative, Principal Office and Head Office

Argo Re is required to maintain a principal office and to appoint and maintain a principal representative in Bermuda, who must be a person approved by the BMA. For the purposes of the Insurance Act, the principal office of Argo Re is located at 90 Pitts Bay Road, Pembroke, HM 08, Bermuda. The principal representative has statutory reporting duties under the Insurance Act for certain reportable events, such as threatened insolvency or noncompliance with the Insurance Act or with a condition or restriction imposed on an insurer. Where there has been a significant loss that is reasonably likely to cause a Class 4 insurer to fail to comply with its enhanced capital requirement (as described in more detail below), the principal representative must furnish the BMA with a capital and solvency return reflecting an enhanced capital requirement prepared using post-loss data. The principal representative must provide this within forty-five days of notifying the BMA of the loss. In addition, where a notification has been made to the BMA regarding a material change to an insurer's business or structure (as described in more detail below), the principal representative has thirty days from the date of such notification to provide to the BMA unaudited interim statutory financial statements in relation to such period if so requested by the BMA, together with a general business solvency certificate in respect of those statements.

As a Class 4 insurer, Argo Re must maintain its head office in Bermuda and its insurance business must be directed and managed from Bermuda. In determining whether an insurer satisfies this requirement, the BMA considers, inter alia, the following factors: (1) where the underwriting, risk management and operational decision making of the insurer occurs; (2) whether the presence of senior executives who are responsible for, and involved in, the decision making related to the insurance business of the insurer are located in Bermuda; and (3) where meetings of the board of directors of the insurer occur. In making its determination, the BMA may also have regard to (1) the location where management of the insurer meets to effect policy decisions of the insurer; (2) the residence of the officers, insurance managers or employees of the insurer; and (3) the residence of one or more directors of the insurer in Bermuda. As a result of the global health crisis, the BMA has indicated that it will take into account all circumstances, including an insurer’s inability to hold such meetings due to logistical and health difficulties resulting from COVID-19. Although in person meetings in Bermuda may not currently be feasible, the BMA expects registrants to continue to conduct regular board meetings by telephone, video conference or other virtual means, where it is not practical to meet physically.

Independent Approved Auditor

The Insurance Act generally requires that every insurer appoint an independent auditor who will annually audit and report on the insurer’s statutory financial statements. The auditor must be approved by the BMA. If the insurer fails to appoint an approved auditor or at any time fails to fill a vacancy for such auditor, the BMA may appoint an approved auditor for the insurer and shall fix the remuneration to be paid to the approved auditor within 14 days, if not agreed sooner by the insurer and the auditor.

Annual Statutory Financial Statements and Returns

The Insurance Act generally requires every insurer to prepare annual statutory financial statements and to file these statements with the BMA, together with a statutory financial return and a declaration certifying compliance with the minimum criteria applicable to it including the minimum margin of solvency, enhanced capital requirements and any restrictions or conditions imposed on its license. The statutory financial statements are distinct from the financial statements prepared for presentation to the insurer’s shareholders under the Companies Act of 1981, as amended, of Bermuda (the “Companies Act ”), which may be prepared in accordance with U.S. GAAP or other generally accepted accounting principles.

The Insurance Act prescribes rules for the preparation and substance of such statutory financial statements (which include, in statutory form, a balance sheet, income statement, a statement of capital and surplus, and notes thereto). The insurer is required to give detailed information and analysis regarding premiums, claims, reinsurance and investments. An insurer is required to submit the annual statutory financial statements as part of the annual statutory financial return. The statutory financial statements and the statutory financial return do not form part of the public records maintained by the BMA or the Bermuda Registrar of Companies. The BMA requires Class 4, 3B, 3A, E, D and C insurers to file audited general purpose financial statements as part of their annual filings, which the BMA will subsequently publish on its website together with the declaration certifying compliance, unless an exemption is obtained pursuant to Section 56 of the Insurance Act.

The statutory financial return for a Class 4 insurer includes, among other matters, a report of the approved independent auditor on the statutory financial statements of the insurer, own risk statement, underwriting analysis, the statutory financial statements themselves and a statutory declaration. A Class 4 insurer must deliver to the BMA at the time of filing its statutory financial statements, a declaration of compliance confirming, among other matters, that the minimum solvency margin has been met. If an insurer's accounts have been audited for any purpose other than compliance with the Insurance Act, a statement to that effect must be filed with the statutory financial return.

Argo Re is required to file a copy of its statutory financial statements and statutory financial return with the BMA no later than 4 months after its financial year end (unless specifically extended upon application to the BMA).

Loss Reserve Specialist

As a Class 4 insurer, Argo Re is required to appoint an individual approved by the BMA to be its loss reserve specialist. In order to qualify as an approved loss reserve specialist, the applicant must be an individual qualified to provide an opinion in accordance with the requirements of the Insurance Act and the BMA must be satisfied that the individual is fit and proper to hold such an appointment. A Class 4 insurer is required to submit annually an opinion of its approved loss reserve specialist with its capital and solvency return in respect of its total general business insurance technical provisions (i.e. the aggregate of its net premium provisions, net loss and loss expense provisions and risk margin, as each is reported in the insurer's statutory economic balance sheet). The loss reserve specialist's opinion must state, among other things, whether or not the aggregate amount of technical provisions shown in the statutory economic balance sheet as at the end of the relevant financial year (1) meets the requirements of the Insurance Act and (2) makes reasonable provision for the total technical provisions of the insurer under the terms of its insurance contracts and agreements.

Notification of Material Changes

All registered insurers are required to give the BMA notice of their intention to effect a material change within the meaning of the Insurance Act. For the purposes of the Insurance Act, the following changes are material: (1) the transfer or acquisition of insurance business being part of a scheme falling under section 25 of the Insurance Act or section 99 of the Companies Act, (2) the amalgamation with or acquisition of another firm, (3) engaging in unrelated business that is retail business, (4) the acquisition of a controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer, (5) outsourcing all or substantially all of the company's actuarial, risk management, compliance or internal audit functions, (6) outsourcing all or a material part of an insurer's underwriting activity, (7) the transfer, other than by way of reinsurance, of all or substantially all of a line of business, (8) the expansion into a material new line of business, (9) the sale of an insurer, and (10) outsourcing of an officer role.

No registered insurer shall take any steps to give effect to a material change unless it has first served notice on the BMA that it intends to effect such material change and before the end of 30 days, either the BMA has notified such company in writing that it has no objection to such change or that period has lapsed without the BMA having issued a notice of objection.

Before issuing a notice of objection, the BMA is required to serve upon the person concerned a preliminary written notice stating the BMA's intention to issue a formal notice of objection. Upon receipt of the preliminary written notice, the person served may, within 28 days, file written representations with the BMA which shall be taken into account by the BMA in making its final determination.

Notification by Registered Person of Change of Controllers and Officers

Class 4 insurers are required to notify the BMA if any person has become or ceased to be a controller or an officer within 45 days of becoming aware of the relevant facts. An officer in relation to an insurer means a director, chief executive or senior executive performing duties of underwriting, actuarial, risk management, compliance, internal audit, finance or investment matters.

Cancellation of Insurer's Registration

An insurer's registration may be cancelled by the BMA at the request of the insurer or on certain grounds specified in the Insurance Act. Such grounds include failure by the insurer to comply with its obligations under the Insurance Act, or if the BMA believes that the insurer has not been carrying on business in accordance with sound insurance principles.

Non-Insurance Business

No Bermuda insurer may engage in non-insurance business unless that non-insurance business is ancillary to its core insurance business. Non-insurance business means any business other than insurance business and includes carrying on investment business, managing an investment fund as operator, carrying on business as a fund administrator, carrying on banking business, underwriting debt or securities or otherwise engaging in investment banking, engaging in commercial or industrial activities and carrying on the business of management, sales or leasing of real property.

Supervision, Investigation and Intervention

The BMA may appoint an inspector with powers to investigate the affairs of an insurer if the BMA believes that an investigation is required in the interest of the insurer’s policyholders or potential policyholders. In order to verify or supplement information otherwise provided to it, the BMA may direct an insurer to produce documents or information relating to matters connected with the insurer’s business.

If it appears to the BMA that there is a risk of the insurer becoming insolvent, or that it is in breach of the Insurance Act or any conditions imposed upon its registration, the BMA may direct the insurer (1) not to take on any new insurance business, (2) not to vary any insurance contract if the effect would be to increase the insurer’s liabilities, (3) not to make certain investments, (4) to realize certain investments, (5) to maintain, or transfer to the custody of a specified bank, certain assets, (6) not to declare or pay any dividends or other distributions or to restrict the making of such payments, (7) to limit its premium income, (8) to remove a controller or officer and (9) to file a petition for the winding-up of the insurer.

Disclosure of Information

In addition to powers under the Insurance Act to investigate the affairs of an insurer, the BMA may require certain information from an insurer (or certain other persons) to be produced to the BMA. The BMA has also been given powers to assist foreign regulatory authorities with their investigations involving insurance and reinsurance companies in Bermuda, subject to certain restrictions. For example, the BMA must be satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities of the foreign regulatory authority. Further, the BMA must consider whether cooperation with the foreign regulatory authorities is in the public interest. The grounds for disclosure by the BMA to a foreign regulatory authority without consent of the insurer are limited and the Insurance Act provides sanctions for breach of the statutory duty of confidentiality.

Winding-up

The BMA may present a petition for the winding-up of an insurer on the grounds that the insurer (1) is unable to pay its debts within the meaning of sections 161 and 162 of the Companies Act, (2) has failed to satisfy an obligation to which it is or was subject by virtue of the Insurance Act or (3) has failed to satisfy the obligation imposed upon it by section 15 of the Insurance Act as to the preparation of accounts or to produce or file statutory financial statements in accordance with section 17 of the Insurance Act (save where the appropriate waivers have been obtained), and that the BMA is unable to ascertain the insurer’s financial position. In addition, if it appears to the BMA that it is expedient in the public interest that an insurer should be wound up, it may present a petition for it to be so wound up if a court thinks it just and equitable for it to be so wound up.

Insurance Code of Conduct

All insurers must comply with the Insurance Code of Conduct (“Code”) which prescribes the duties and standards that must be complied with to ensure sound corporate governance, risk management and internal controls are implemented. The BMA will assess an insurer’s compliance with the Code in a proportional manner relative to the nature, scale and complexity of its business. Failure to comply with the requirements of the Code will be taken into account by the BMA in determining whether an insurer is conducting its business in a sound and prudent manner as prescribed by the Insurance Act and may result in the BMA exercising its powers of intervention and investigation.

The principal representative and two directors of the insurer must sign and file with the BMA an annual declaration that the insurer has complied with the Code.

Regulation of Argo Services

Argo Insurance Services Bermuda, Ltd. ("Argo Services") is licensed by the BMA pursuant to Section 10 of the Insurance Act as an Insurance Agent. The Insurance Act provides that: (i) the BMA may make rules prescribing prudential standards in relation to insurance agents (which will include an annual report) and apply penalties for failure to file statutory returns; (ii) agents are required to maintain lists of insurers for which they act, (iii) agents are required to notify the BMA within 14 days of any change of shareholder controller or officer; and (iv) agents are required to have sufficient indemnity insurance cover. The BMA has provided a Code of Conduct for insurance agents which establishes the duties, requirements and standards to be complied with by all insurance agents registered under Section 10 of the Insurance Act, including the procedures and sound principles to be observed by such persons. The BMA has also mandated that insurance agents are annually required to file: (i) a return accompanied by a copy of the insurance agent's management accounts for the financial year and business plan for the next financial year; and (ii) a declaration signed by two directors (one of whom must be the chief executive officer) of the insurance agent confirming that to the best of their knowledge and belief the information in the annual return is fair and accurate.

Minimum Solvency Margin and Enhanced Capital Requirements

Under the Insurance Act, the value of the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin ("MSM"). As a Class 4 insurer, Argo Re is required to maintain the general business solvency margin, which is a MSM equal to the greatest of (1) $100,000,000; (2) 50% of net premiums written in its current financial year; (3) 15% of net aggregate loss and loss expense provisions and other insurance reserves; or (4) 25% of its ECR as reported at the end of its relevant year.

While not specifically referred to in the Insurance Act, the BMA has also established a Target Capital Level ("TCL") equal to 120% of its ECR. While an insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight.

Any applicable insurer which at any time fails to meet the MSM requirements must, upon becoming aware of such failure, notify the BMA and, within 14 days thereafter, file a written report with the BMA describing the circumstances that gave rise to the failure and set forth its plan detailing specific actions to be taken and the expected time frame in which the company intends to rectify the failure.

Eligible Capital

To enable the BMA to better assess the quality of the insurer's capital resources, applicable insurers are required to disclose the makeup of its capital in accordance with the "3-tiered capital system". Under this system, all of the insurer's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of three tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified as Tier 1 Capital and lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, up to certain specified percentages of Tier 1, Tier 2, and Tier 3 Capital may be used to support the insurer's MSM and ECR.

The characteristics of the capital instruments that must be satisfied to qualify as Tier 1 Capital, Tier 2 Capital, and Tier 3 Capital are set out in the Insurance (Eligible Capital) Rules 2012, as amended. Under these rules, Tier 1 Capital, Tier 2 Capital, and Tier 3 Capital may include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled only with the issuance of an instrument of equal or higher quality upon a breach, or if it would cause a breach, in the ECR until January 1, 2026. While the BMA has previously approved the use of certain instruments for capital purposes, the BMA's consent will need to be obtained if such instruments are to remain eligible for use in satisfying the MSM and the ECR reporting.

<u>Reporting Requirements</u>

Argo Re must prepare and submit, on an annual basis, both audited US GAAP and, as discussed above, statutory financial statements. The Insurance Act prescribes rules for the preparation and substance of statutory financial statements (which include, in statutory form, a balance sheet, income statement, a statement of capital and surplus, and notes thereto). The statutory financial statements include detailed information and analysis regarding premiums, claims, reinsurance and investments of the insurer.

Every insurer is also required to deliver to the BMA a declaration of compliance declaring whether or not that insurer has, with respect to the preceding financial year, (1) complied with the minimum criteria applicable to it, (2) complied with its MSM and ECR as at its financial year-end, (3) complied with the minimum liquidity ratio for general business as at its financial year-end, and (4) where an insurer's license has been issued subject to limitations, restrictions or conditions, that the insurer has observed such limitations, restrictions or conditions. The declaration of compliance must be signed by two directors and filed at the same time the insurer submits its statutory financial statements.

In January 2018, the BMA implemented a requirement for an alternative capital schedule to be filed for December 31, 2017 year-end filings and onwards. Argo Re is required to complete and file with the BMA this schedule with respect to any alternative capital structures. The BMA has confirmed that alternative capital is where insurers conduct business that is financed by a mechanism other than shareholders' capital of the (re)insurance company. This may take various forms such as catastrophe (cat) bonds, industry loss warranties, sidecars, collateralized reinsurers, longevity and mortality bond/swaps, hybrid securities such as preference shares, swaps, and contingent capital such as letters of credit, among others. The filings are confidential, but the BMA may produce valuable aggregate statistics for publication from the information provided in the filings.

Dividends and Distributions

The Company's future cash flows largely depend on the availability of dividends or other statutorily permissible payments from subsidiaries. The ability to pay such dividends is limited by the applicable laws and regulations of the various countries and states in which these subsidiaries operate, including, among others, Bermuda. The Company's ability to pay dividends and interest and to make dividends to shareholders is limited by the Companies Act. Under the Companies Act, the Company is prohibited from declaring or paying a dividend or making a distribution out of contributed surplus, if there are reasonable grounds for believing that (1) the company is, or would after the payment be, unable to pay its liabilities as they become due or (2) the realizable value of its assets would thereby be less than its liabilities.

The Insurance Act also prohibits Argo Re as a Class 4 insurer from declaring or paying any dividends during any financial year if it is in breach of its MSM or if the declaration or payment of such dividends would cause such a breach. Argo Re is also prohibited from declaring or paying as dividend where it has failed to comply with the ECR, until such noncompliance is rectified. Furthermore, under the Insurance Act, Argo Re shall not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet the required margins.

Any dividend payments paid to Argo Re becomes part of the capital and surplus of Argo Re, at which point further upward distribution to Argo Group is subject to Bermuda insurance and solvency regulations as discussed above.

In 2021, 2020 and 2019, Argo Re paid cash dividends to Argo Group of $85.0 million, $58.8 million and $52.1 million, respectively. The proceeds of the dividends were used to repay intercompany balances related primarily to the funding of dividend and interest payments and other corporate expenses.

Reduction of Capital

The Insurance Act provides that Class 4 insurers may not reduce their total statutory capital by 15% or more, as set out in its previous year's financial statements, unless they have received the prior approval of the BMA. Total statutory capital consists of paid in share capital, contributed surplus (sometimes called additional paid in capital) and any other fixed capital designated by the BMA as statutory capital.

Financial Condition Report

In May 2021, Argo Group filed its annual Financial Condition Report ("FCR"), for the year ended December 31, 2020, with the BMA and on Argo Group's public website (www.argolimited.com) in accordance with the Insurance (Public Disclosure) Rules 2015 pursuant to the Insurance Act. The purpose of this Financial Condition Report for Argo Group is to provide a public disclosure of the measures governing the Company's business operations, corporate governance framework, risk profile, solvency valuation, financial performance and capital management of significant events. The FCR is an annual filing which provides additional information to the public in relation to Argo Group's business model, which is also published on the Company's website within 14 days of being filed with the BMA. The FCR was used as the basis for compliance with the NAIC Corporate Governance Annual Disclosures ("CGAD") reporting requirements applying to Argo Group U.S., Inc. as a result of the passing of the CGAD Model Act.

The Personal Information Protection Act 2016

The Personal Information Protection Act 2016 ("PIPA") is the principal Bermuda legislation regulating the right to personal informational privacy. PIPA sections relating generally to the establishment, staffing, funding, and general powers of the Privacy Commissioner came into force on December 2, 2016. However, PIPA's remaining provisions have not been fully implemented and regulations under PIPA have not yet been provided.

Cyber Code and Reporting Events

In October 2020, pursuant to its powers under the Insurance Act, the Bermuda Monetary Authority (BMA) issued the Insurance Sector Operational Cyber Risk Management Code of Conduct ("Cyber Code") which applies to all registered insurers, insurance managers and intermediaries (i.e. agents, brokers, insurance market place providers registered under the Insurance Act) (each a "Regulated Entity"). The Cyber Code establishes the duties, requirements, standards, procedures and principles to be complied with in relation to operational cyber risk management. In issuing the Cyber Code, the BMA noted that cyber incidents can cause significant financial losses and/or reputational impact to registrants as well as their clients. The Cyber Code defines a 'cyber reporting event' as any act that results in the unauthorized access to, disruption, or misuse of the electronic systems or information stored on such systems of a Regulated Entity, including breach of security leading to the loss or unlawful destruction or unauthorized disclosure of or access to such systems or information, where (1) a cyber reporting event has the likelihood of adversely impacting policyholders or clients; (2) a Regulated Entity has reached a view that there is a likelihood that loss of its system availability will have an adverse impact on its insurance business; (3) a Regulated Entity has reached a view that there is a likelihood that the integrity of its information or data has been compromised and may have an adverse impact on its insurance business; (4) a Regulated Entity has become aware that there is a likelihood that there has been unauthorized access to its information systems whereby such would have an adverse impact on its insurance business; or (5) an event has occurred for which a notice is required to be provided to a regulatory body or government agency.

Every Regulated Entity shall, on coming to the knowledge, or where it has reason to believe, that a cyber reporting event has occurred, forthwith notify the BMA, in such manner as the BMA may direct. Within fourteen days of such notification, the insurer shall furnish the BMA with a report in writing setting out the specific details of the cyber reporting event that are available to it. The Cyber Code also provides that cyber risk policies and procedures must be in place and tested at least annually, allowing Regulated Entities to implement effective and coordinated business continuity planning and disaster recovery planning. The board of directors of a Regulated Entity has oversight of the governance of cyber risk but must also appoint a senior executive for the role of the Chief Information Security Officer, whose role is to deliver and oversee the operational cyber risk management program.

The Cyber Code came into effect January 1, 2021, and Regulated Entities were required to be compliant by December 31, 2021.

Selected Other Bermuda Law Considerations

Although Argo Re is domiciled in Bermuda, it is designated as a non-resident of Bermuda for exchange control purposes by the BMA. Pursuant to its non-resident status, Argo Re may engage in transactions in currencies other than Bermuda dollars and there are no restrictions on its ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to non-Bermuda residents.

All Bermuda "exempted companies", such as the Company and Argo Re, are exempt from certain Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians. However, Bermuda exempted companies may not, without the express authorization of the Bermuda legislature or under a license or consent granted by the Minister of Finance, participate in certain business transactions, including: (1) the acquisition or holding of land in Bermuda (except that held by way of lease or tenancy agreement which is required for its business and held for a term not exceeding 50 years, or which is used to provide accommodation or recreational facilities for its officers and employees and held with the consent of the Bermuda Minister of Finance, for a term not exceeding 21 years); (2) the taking of mortgages on land in Bermuda to secure an amount in excess of $50,000; or (3) the carrying on of business of any kind for which it is not licensed in Bermuda, except in certain limited circumstances such as doing business with another exempted undertaking in furtherance of its business (as the case may be) carried on outside Bermuda. Argo Re is a licensed insurer in Bermuda, and so may carry on activities from Bermuda that are related to and in support of its insurance business.

Unless a "general permission" applies, specific permission from the BMA is required for all issuances and transfers of securities of a Bermuda exempted company, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, as amended. The BMA, in its policy dated June 1, 2005, provides that where any equity securities of a Bermuda company, which would include the shares of the Company, are listed on an appointed stock exchange (which includes the New York Stock Exchange), general permission is given for the issue and subsequent transfer of any securities of such company from and to a non-resident, for as long as any equity securities of such company remain so listed.

Economic Substance

The Economic Substance Act 2018, as amended (the "Substance Act") and the Economic Substance Regulations 2018, as amended (the "Substance Regulations" and, together with the Substance Act, the "ES Requirements") came into effect on December 31, 2018. Pursuant to the ES Requirements, a corporation, limited liability company or partnership (collectively, a "registered entity") conducting a relevant activity (discussed below) will satisfy the ES Requirements if such entity is managed and directed in Bermuda, core income generating activities related to the relevant activity are undertaken in Bermuda, such entity maintains adequate physical premises in Bermuda, there is an adequate number of full time employees in Bermuda (all with suitable qualifications), and operating expenditures incurred in Bermuda are adequate in relation to the relevant activity. For the purposes of the ES Requirements, the relevant activities are banking, insurance, fund management, financing and leasing, maintaining a headquarters, shipping, distribution and service centers, maintaining a holding entity and intellectual property. Any entity that is subject to the ES Requirements is required to file, on an annual basis, an economic substance declaration form with the Bermuda Registrar of Companies, confirming that the entity complies with the ES Requirements. Any entity that fails to satisfy the ES Requirements could face automatic disclosure to competent authorities, in each jurisdiction in which its owners or beneficial owners is incorporated, formed, registered or resident, of the information filed by the entity with the Bermuda Registrar of Companies in connection with the ES Requirements and may also face financial penalties, restriction or regulation of its business activities and/or may be struck off as a registered entity in Bermuda.

Anti-Bribery

The Bermuda Bribery Act 2016 (the "Bribery Act") became operative on September 1, 2017. The Bribery Act is largely based on the U.K.'s Bribery Act 2010, and aims to provide a modern and comprehensive scheme of bribery offenses in order to allow investigators, prosecutors and the courts to tackle bribery effectively, whether committed in Bermuda or overseas. The Bribery Act applies to any Bermuda individuals, or incorporated companies or other corporate entities (including partnerships) conducting business, whether in or outside of Bermuda, and any non-Bermuda incorporated companies, corporate entities (including partnerships) or individuals conducting business in Bermuda.

United States

State Insurance Regulation

Argo Group U.S., Inc.'s insurance subsidiaries are subject to the supervision and regulation of the states in which they are domiciled. We currently have 9 insurance companies domiciled in 5 states (the "U.S. Subsidiaries"). Argo Group U.S., Inc., as the direct and indirect parent of the U.S. Subsidiaries, is subject to the insurance holding company laws of Illinois, New York, Ohio, Pennsylvania and Virginia. These laws generally require each of the U.S. Subsidiaries to submit annual holding company registration statements to its respective domestic state insurance departments and to furnish annual financial and other information about the operations of the companies within the holding company group, including the filing of an Own Risk and Solvency Assessment ("ORSA") Summary Report with the Illinois Director of Insurance, as the lead state regulator. In order to assess the business strategy, financial position, legal and regulatory position, risk exposure, risk management, and governance processes, the Illinois Director of Insurance may choose to participate in the annual supervisory college with other regulators who are interested in the supervision of an Illinois domestic insurer or its affiliates, including other state, federal, and international regulatory agencies. Generally, all material transactions among companies in the holding company group to which any of the U.S. Subsidiaries is a party, including sales, loans, reinsurance agreements and service agreements, must be fair and, if material or of a specified category, require prior notice and approval by the insurance department where the subsidiary is domiciled. Transfers of assets among such affiliated companies, certain dividend payments from insurance subsidiaries and certain material transactions between companies within the holding company group may be subject to prior notice to, or prior approval by, state regulatory authorities. Such supervision and regulation are intended to primarily protect our policyholders. Matters relating to authorized lines of business, underwriting standards, financial condition standards, licensing of insurers, investment standards, premium levels, policy provisions, the filing of annual and other financial reports prepared on the basis of Statutory Accounting Principles, the filing and form of actuarial reports, dividends and a variety of other financial and non-financial matters are also areas that are regulated and supervised by the states in which each of our U.S. Subsidiaries are domiciled.

Cyber Regulations

The New York Department of Financial Services ("NYDFS") issued Cybersecurity Regulations for Financial Services Companies that require certain parts of Argo Group's insurance operations to, among other things, establish and maintain a cybersecurity policy, a cybersecurity breach incident response process and to designate a Chief Information Security Officer.

The National Association of Insurance Commissioners ("NAIC") adopted the Insurance Data Security Model Law in October 2017 ("Model Law"). The purpose of this Model Law is to establish recommended standards for data security and for the notification to insurance commissioners of cybersecurity incidents involving unauthorized access to, or the misuse of, certain non-public information. It also requires annual compliance reporting obligations. Two of the states where Argo Group subsidiaries are domiciled have implemented insurance related data security laws modeled after the NAIC Model Law. Ohio's insurance data security law, passed on December 19, 2018, went into effect in March 2020. Virginia's Insurance Data Security Act was passed on March 11, 2020 and most of its key provisions were effective on July 1, 2020.

The Virginia Consumer Data Protection Act ("VCDPA") was passed on March 2, 2021. It will not become effective until January 2023. The VCDPA grants consumers rights over their personal information and requires businesses to establish, implement, and maintain reasonable security practices with respect to personal information of Virginia consumers it has collected. The VCDPA defines a consumer as a resident of Virginia only if acting in an individual or household context, and it specifically excludes a natural person acting in a commercial or employment context. It also specifically exempts financial institutions or data subject to the Gramm-Leach-Bliley Act.

The Illinois Personal Information Protection Act ("IL PIPA") requires organizations with the personal information of Illinois residents to implement and maintain reasonable security measures to protect data from unauthorized access, acquisition, destruction, use, modification, or disclosure. It also requires organizations that own or license personal information to notify Illinois residents of a breach to their computerized data in expedient time without unreasonable delay. The IL PIPA was amended effective January 1, 2020, to require organizations to notify the Illinois Attorney General's office in the case of certain data breaches.

The California Consumer Privacy Act ("CCPA") enhances privacy rights and consumer protection for residents of California who are consumers. It also requires that companies who collect such consumer personal information implement reasonable security measures to protection that information. The CCPA provides for an exemption for personal information that is collected from business contacts in the context of business-to-business transactions. It also exempts personal information collected pursuant to the Gramm-Leach-Bliley Act.

Guaranty Associations

Our licensed U.S. Subsidiaries are participants in the statutorily created insolvency guaranty associations in all states where they are licensed carriers. These associations were formed for the purpose of paying for the return of unearned premium and loss claims of licensed insolvent insurance companies. The licensed U.S. Subsidiaries are assessed according to their pro rata share of such claims based upon their written premiums, subject to a maximum annual assessment per line of insurance. The cost of such assessments may be recovered, in certain jurisdictions, through the application of surcharges on future premiums. Non-admitted business is neither supported by nor subject to guaranty assessments.

Dividends

All of the U.S. Subsidiaries are subsidiaries of Argo Group U.S., Inc., meaning that any dividends from the U.S. Subsidiaries are payable in the first instance to Argo Group U.S., Inc. prior to being passed upward as dividends to Argo Group's parent company. The ability of our U.S. Subsidiaries to pay dividends is subject to certain restrictions imposed by the jurisdictions of domicile that regulate our U.S. Subsidiaries and each such jurisdiction's limitations upon the amount of dividends that an insurance company may pay without the approval of its insurance regulator.

Argo Group U.S., Inc. may receive dividends from its direct subsidiaries: Argonaut Insurance Company ("Argonaut") and Rockwood. For the year ended December 31, 2021, neither Argonaut nor Rockwood paid an ordinary dividend to Argo Group U.S., Inc. During 2022, Argonaut is permitted to pay dividends up to $107.1 million without approval from the Illinois Division of Insurance, based on the application of the Illinois ordinary dividend calculation. During 2022, Rockwood is permitted to pay dividends up to $10.6 million without prior approval from the Pennsylvania Department of Insurance. Business and regulatory considerations may impact the amount of dividends actually paid, and prior regulatory approval of extraordinary dividend payments is required.

State laws require prior notice or regulatory approval of direct or indirect changes in control of an insurer, reinsurer or its holding company, and certain significant inter-corporate transfers of assets within the holding company structure. An investor, who acquires or attempts to acquire shares representing or convertible into more than 10% of the voting power of the securities of Argo Group, would become subject to at least some of these laws. This would require approval from the five domiciliary regulators of the U.S. Subsidiaries prior to acquiring such shares and would be required to file certain notices and reports with the five domiciliary regulators prior to such acquisition.

The Terrorism Risk Insurance Program Reauthorization Act

On November 26, 2002, the President of the United States signed into law the Terrorism Risk Insurance Act of 2002 ("TRIA"). On December 20th, 2019 the President of the United States signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2019, which extends TRIA through December 31, 2027. Under TRIA commercial insurers are required to offer insurance coverage against terrorist incidents and are reimbursed by the federal government for paid claims subject to deductible and retention amounts.

TRIA, and its related rules, contain certain definitions, requirements and procedures for insurers filing claims with the Treasury for payment of the Federal share of compensation for insured losses under the Terrorism Risk Insurance Program ("TRIP"). TRIP is a temporary federal program that has been extended by TRIA to provide for a transparent system of shared public and private compensation for insured losses resulting from acts of terrorism. The Treasury implements the program. On June 29, 2004, the Treasury issued a final Claims Procedures Rule, effective July 31, 2004, as part of its implementation of Title I of TRIA. TRIA also contains specific provisions designed to manage litigation arising out of, or resulting from, a certified act of terrorism, and on July 28, 2004, the Treasury issued a final Litigation Management Rule for TRIA. The Claims Procedures Rule specifically addresses requirements for Federal payment, submission of an initial notice of insured loss, loss certifications, timing and process for payment, associated recordkeeping requirements, as well as the Treasury's audit and investigation authority. These procedures will apply to all insurers that wish to receive their payment of the Federal share of compensation for insured losses under TRIA.

Additional materials addressing TRIA and TRIP, including Treasury issued interpretive letters, are contained on the Treasury's website.

European Union (E.U.)

The SII regulatory regime in the E.U., imposes solvency and governance requirements across all 27 E.U. Member States.

SII, imposes economic risk-based solvency requirements across all 27 European Member States and consists of three pillars: (1) Pillar I - quantitative capital requirements, based on a valuation of the entire balance sheet; (2) Pillar II - qualitative regulatory review, which includes governance, internal controls, enterprise risk management and supervisory review process; and (3) Pillar III - market discipline, which is accomplished through reporting of the insurer's financial condition to regulators.

Currently Argo Group's E.U operations ArgoGlobal S.E. and ArgoGlobal Assicurazioni are required to comply with SII. Argo Group's Lloyd's Managing Agency, Argo Managing Agency Limited continues to comply with the requirements of SII. With the U.K.'s withdrawal from the E.U. the U.K. Government is in the process of seeking views on reforming the prudential regulation of the U.K. insurance sector and has commenced a review of SII.

United Kingdom Withdrawal from the E.U.

On June 23, 2016, the U.K held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit." As a result of the referendum, the U.K. formally exited the E.U. on January 31, 2020, pursuant to a withdrawal agreement between the U.K. government and the E.U.

On December 24, 2020, the U.K. and the E.U. announced that they had struck a new bilateral trade and cooperation deal governing the future relationship between the U.K. and the E.U. (the "E.U.-U.K. Trade and Cooperation Agreement"), which took effect from January 1, 2021. The E.U.-U.K. Trade and Cooperation Agreement contains limited provisions on financial services, leaving trade to be managed through mutual unilateral equivalence decisions. A Memorandum of Understanding on regulatory cooperation was entered into by the U.K. and the E.U. in March 2021. As of December 31, 2021, the U.K. had granted the E.U. 27 permanent equivalence decisions that provide E.U. nations access to the U.K. financial markets. The E.U. has yet to make equivalence decisions for the U.K. As a result, U.K. firms' access to the E.U. markets depend on the rules each member state applies to third country businesses.

Malta

ArgoGlobal SE operates as an authorized insurance undertaking domiciled in Malta under the Malta Business Act (Cap. 403) by the MFSA. ArgoGlobal SE is regulated as a domestic insurer by the MFSA and subject generally to Malta's laws and regulations relating to insurance and solvency requirements.

ArgoGlobal SE did underwrite risks throughout the European Member States and European Economic Area, on an "Exercise of Passport Rights-Services/Establishment" basis. The authorized third-party branch office based in Zurich, Switzerland could only underwrite Swiss domiciled risks. The third-party Zurich branch is subject to the regulations of the Swiss Financial Market Supervisory Authority ("FINMA").

In 2020, the ArgoGlobal SE book of (re)insurance business was placed into run-off with ArgoGlobal SE predominantly ceasing to accept new and renewal business. When payable, dividends from ArgoGlobal SE are subject to applicable laws and regulations in Malta.

On December 20, 2021, Argo Group entered into an agreement for the sale of ArgoGlobal SE to Riverstone Holdings Limited. The sale is expected to close in the first half of 2022.

Italy

ArgoGlobal Assicurazioni is an authorized insurance entity domiciled in Italy. It is authorized by the IVASS to operate the business of insurance under ISVAP n. 2581 as of January 21, 2008. ArgoGlobal Assicurazioni is enrolled in the Register of Insurance Companies under n. 1.00163. In addition, ArgoGlobal Assicurazioni is subject to regulation in Italy. When payable, dividends from ArgoGlobal Assicurazioni are subject to applicable laws and regulations in Italy.

General Data Protection Regulations (E.U.)

In the E.U., the General Data Protection Regulation (the "GDPR") came into force on May 25, 2018. Argo Group is subject to the applicable requirements of GDPR in regards the collection of personal information related to the provision of our services and products within the E.U. or the collection and processing of personal information from residents of the E.U.

United Kingdom

Argo Managing Agency Limited is a Lloyd's managing agent that manages Syndicate 1200 ("S1200"), Syndicate 1910 ("S1910") and Special Purposes Arrangement 6117 ("SPA6117"). In 2020 Argo Group divested its interest in the Ariel Re business including S1910. Although Argo Group no longer participates or writes new business on S1910 Argo Managing Agency Limited continues to manage S1910 and SPA6117 on a third-party management basis.

Financial Services and Markets Act 2000 (including Amendments) and The Financial Services Act 2012

The Financial Services and Markets Act 2000 (including Amendments) and the Financial Services Act 2012 provide regulators with comprehensive powers to counter future risks to financial stability and to ensure that consumers are treated fairly.

The Bank of England has macro-prudential responsibility for oversight of the financial system and, through the Prudential Regulation Authority ("PRA"), for day-to-day prudential supervision of financial services firms managing significant balance-sheet risk. The Financial Conduct Authority ("FCA") protects consumers, promotes competition and ensures integrity in markets.

PRA and FCA Regulations

Argo Managing Agency Limited, managing agent of S1200, S1910 and SPA6117 is authorized by the PRA and regulated by the PRA and the FCA, as well as being supervised by Lloyd's. The PRA, FCA and Lloyd's have common objectives in ensuring that the Lloyd's market and participants in the Lloyd's market are appropriately regulated. To minimize duplication, there are arrangements with Lloyd's for co-operation on supervision and enforcement. Both the PRA and FCA have substantial powers of intervention in relation to the Lloyd's Managing Agents (such as Argo Managing Agency Limited) that they regulate, including the power to remove their authorization to manage Lloyd's Syndicates. In addition, each year the PRA requires Lloyd's to satisfy an annual solvency test that measures whether Lloyd's has sufficient assets in the aggregate to meet all outstanding liabilities of its members, both current and run-off. If Lloyd's fails this test, the PRA may require Lloyd's to cease trading and/or its members to cease or reduce underwriting.

Lloyd's Regulations and Requirements

The operations of S1200, S1910 and SPA6117 are supervised by Lloyd's. Historically, the Council of Lloyd's had wide discretionary powers to regulate members' underwriting at Lloyd's, while the Lloyd's Franchise Board was responsible for setting risk management and profitability targets for the Lloyd's market and operates a business planning and monitoring process for all Syndicates, including reviewing and approving the Syndicates' annual business plans. During 2020, Lloyd's merged the Council and Franchise Board to form a new Council, which is responsible for overseeing and regulating both areas. The Lloyd's Council requires annual approval of S1200's, S1910's and SPA6117's business plans, including maximum underwriting capacity, and may require changes to any business plan presented to it or that additional capital be provided to support underwriting. Lloyd's also imposes various charges and assessments on its members.

Argo Group predominantly participates in the Lloyd's Market as a Lloyd's corporate member on S1200 through Argo (No 604) Ltd. By entering into a membership agreement with Lloyd's, Argo (No 604) Ltd. undertakes to comply with all Lloyd's by-laws and regulations as well as the provisions of the Lloyd's Acts and Financial Services and Markets Act 2000 that are applicable to it. The underwriting capacity of a member of Lloyd’s must be supported by providing a deposit (referred to as “Funds at Lloyd’s”) in the form of cash, securities or letters of credit in an amount determined by Lloyd’s. The amount of such deposit is calculated for each member through the completion of an annual capital adequacy exercise. These requirements allow Lloyd’s to evaluate that each member has sufficient assets to meet its underwriting liabilities plus a required solvency margin.

If a member of Lloyd’s is unable to pay its claims to policyholders, such claims may be payable by the Lloyd’s Central Fund. If Lloyd’s determines that the Central Fund needs to be increased, it has the power to assess premium levies on current Lloyd’s members. The Council of Lloyd’s has discretion to call or assess up to 3% of a member’s underwriting capacity in any one year as a Central Fund contribution.

Argo Managing Agency Limited has five (5) Argo Group wholly-owned Lloyd’s approved service companies, which produce business to Syndicate 1200 under delegated underwriting authority arrangements. They are:

- ArgoGlobal Underwriting (Dubai) Limited

ArgoGlobal Underwriting (Dubai) Ltd. is authorized as an “Authorized Firm” licensed to operate through Dubai International Financial Centre (DIFC) as an insurance manager and insurance intermediary by the Dubai Financial Services Authority (“DFSA”). Although not subject to solvency requirements and other regulations that apply to insurance carriers and reinsurers generally in Dubai, ArgoGlobal Underwriting (Dubai) Limited is subject to DFSA’s laws and regulations relating to its business activities as an Authorized Firm (Category 4) operating in Dubai. The Company operates from the Lloyd’s Dubai platform, which gives Lloyd’s an underwriting base in the MENA region. ArgoGlobal Underwriting (Dubai) Limited therefore receives regulatory oversight from both Lloyd’s and the DFSA.

Dubai International Financial Centre Data Protection Law

On July 1, 2020, DIFC Data Protection Law No. 5 of 2020 came into effect (“New DP Law”). The New DP Law replaces DIFC Law No. 1 of 2007. The New DP Law applies to companies incorporated in the DIFC, regardless of where processing takes place, or companies that, whilst incorporated elsewhere, process personal data in the DIFC as part of stable arrangements (other than occasional processing). In the latter case, the New DP Law only applies to those processing activities taking place within the DIFC. The New DP Law reflects many aspects of the E.U.’s GDPR.

- ArgoGlobal Underwriting Asia Pacific Pte Limited

ArgoGlobal Underwriting Asia Pacific Pte Limited (“AG UAPPL”) is authorized by the Monetary Authority of Singapore (“MAS”) as a Lloyd’s Asia Scheme Service Company. AG UAPPL is therefore subject to regulatory oversight from both Lloyd’s and the MAS. During 2019, we ceased underwriting in AG UAPPL and have placed the company into runoff.

- Argo Direct Limited

Argo Direct Limited (“ADL”) is authorized and regulated by the Financial Conduct Authority. It is an approved Lloyd’s coverholder service company. ADL has been given permission to provide regulated products and services to commercial and retail customers. The Company is therefore subject to regulatory oversight from both Lloyd’s and the FCA.

- ArgoGlobal Insurance Services Inc.

ArgoGlobal Insurance Services Inc. (“AGIS”) is an approved Lloyd’s coverholder service company. AGIS was incorporated in Delaware, USA. The Company is subject to regulatory oversight from Lloyd’s. During 2019, we ceased underwriting in AGIS and have placed the company into runoff.

- Argo Insurance Services Bermuda, Ltd. (domiciled in Bermuda)

Argo Insurance Services Bermuda, Ltd. is licensed by the BMA as an Insurance Agent. It is a Lloyd’s approved service company coverholder. Argo Insurance Services Bermuda, Ltd. is subject to the laws of Bermuda and the supervision and regulatory requirements of the BMA.

Dividends

Dividend payments from Argo Managing Agency Limited to its immediate parent are not restricted by regulatory authority. Dividend payments from Argo Managing Agency Limited are to be made at the discretion of Argo Managing Agency Limited's Board of Directors and are subject to the earnings, operations, financial condition and capital position of the Company. Dividends from a Lloyd's managing agent and a Lloyd's corporate member can be declared and paid, provided it has sufficient capital available.

Data Protection Act 2018 (U.K.)

Following Brexit, coming into effect on January 1, 2021, the U.K. GDPR and the Data Protection Act 2018 ("DPA2018") are now the U.K.'s standalone data protection laws. The DPA2018 adds requirements that fall outside the U.K. GDPR's scope, such as processing by law enforcement and intelligence services. Argo Group is subject to the applicable requirements of the U.K. GDPR and DPA2018 related to provision of our services and products within the U.K., or the collection and process of personal information from residents of the U.K.

On June 28, 2021, the European Commission published an adequacy provision for the U.K., which allows for the transfer of personal information from the E.U. to the U.K.

Brazil

In April 2014, Argo Re was registered by Superintendệncia de Seguros Privados as an admitted reinsurer in Brazil, and established its representative office, Argo Re Escritório de Representação no Brasil Ltda. ("Argo Re Escritório") in São Paulo, Brazil. Argo Re Escritório is focused on serving the domestic commercial reinsurance market. Argo Re and Argo Re Escritório are subject to Brazil's laws and regulations relating to business activities as an admitted reinsurer.

On October 4, 2021, Argo Group entered into an agreement for the sale of Argo Seguros to Spice Private Equity Ltd., and the sale was completed on February 15, 2022.

Brazilian General Data Protection Law

The Brazilian General Data Protection Law ("LGPD"), Federal Law no. 13,709/2018, came into force on September 18, 2020 after several discussions and postponements. The LGPD is Brazil's first comprehensive data protection regulation, and it is largely aligned to the E.U. GDPR.

Reinsurance

As is common practice within the insurance industry, Argo Group's insurance subsidiaries transfer a portion of the risks insured under their policies by entering into a reinsurance treaty with another insurance or reinsurance company. Purchasing reinsurance protects carriers against the frequency and/or severity of losses incurred on the policies they issue, such as an unusually large individual claim or serious occurrence in which a number of claims on one policy aggregate to produce an extraordinary loss or where a catastrophe generates a large number of claims on multiple policies at the same time. As a specialty reinsurer, we purchase a broad-based series of reinsurance programs in an effort to mitigate the risk of significant capital deterioration, as well as to minimize the volatility of earnings against the impact of a single, large catastrophe or several smaller, but still significant catastrophe events.

Reinsurance does not discharge the issuing primary carrier from its obligation to pay a policyholder for losses insured under its policy. Rather, the reinsured portion of each loss covered under a reinsurance treaty is ceded to the assuming reinsurer for reimbursement to the primary carrier. Because this creates a receivable owed by the reinsurer to the ceding carrier, there is credit exposure to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under its reinsurance treaty. The ability to collect on reinsurance is subject to the solvency of the reinsurers, interpretation of contract language and other factors. We are selective in regard to our reinsurers, seeking out those with stronger financial strength ratings from A.M. Best or S&P. However, the financial condition of a reinsurer may change over time based on market conditions. We perform credit reviews on our reinsurers, focusing on a number of criteria including, but not limited to, financial condition, stability, trends and commitment to the reinsurance business. In certain instances, we also require deposit of assets in trust, letters of credit or other acceptable collateral. This would be to support balances due from reinsurers whose financial strength ratings fall below a certain level or who transact business on a non-admitted basis in the case of the U.S. insurance entities in the state where the reinsured subsidiary is domiciled, or who provide reinsurance only on a collateralized basis.

At December 31, 2021, Argo Group's reinsurance recoverable balance totaled $2,966.4 million, net of the allowance for estimated uncollectible reinsurance of $3.8 million. We applied the whole unallocated balance to the Reinsurers rated A+ or better category to maintain a conservative approach and are passing on further investigation due to immateriality. The following table reflects the credit ratings for our reinsurance recoverable balance at December 31, 2021:

(in millions)	2021	
Ratings per A.M. Best	Reinsurance Recoverables	% of Total
Reinsurers rated A+ or better	$ 1,595.2	53.7 %
Reinsurers rated A	995.8	33.6 %
Reinsurers rated A-	160.1	5.4 %
Reinsurers rated below A- or not rated	215.3	7.3 %
	$ 2,966.4	100.0 %

All of the top 10 reinsurers were rated A or higher, and accounted for $1,695.7 million, or approximately 57.1% of the reinsurance recoverable balance as of December 31, 2021. Management has concluded that all balances (net of the allowance for estimated uncollectible reinsurance) are considered recoverable as of December 31, 2021.

Additional information relating to our reinsurance activities is included under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 6, "Reinsurance," in the Notes to the Consolidated Financial Statements.

Reserves for Losses and Loss Adjustment Expenses

Argo Group records reserves for specific claims incurred and reported, as well as reserves for claims incurred but not reported ("IBNR"). The estimates of losses for reported claims are established on an individual case basis based on management's reasonable judgment. Such estimates are based on our particular experience with the type of risk involved and our knowledge of the circumstances surrounding each individual claim. Reserves for reported claims consider our estimate of the ultimate cost to settle the claims, including investigation and defense of the claim, and may be adjusted for differences between costs originally estimated and costs re-estimated or incurred.

Reserves for IBNR claims are based on the estimated ultimate cost of settling claims, including the effects of inflation and other social and economic factors, using past experience adjusted for current trends and any other factors that would modify past experience. We use a variety of statistical and actuarial techniques to analyze current claims costs, including frequency and severity data and prevailing economic, social and legal factors. Reserves established in prior years are adjusted as loss experience develops and new information becomes available.

The estimate of reinsurance recoverables related to reported and unreported losses and loss adjustment expenses represent the portion of the gross liabilities that are anticipated to be recovered from reinsurers. Amounts recoverable from reinsurers are recognized as assets at the same time as, and in a manner consistent with, the estimate of the gross losses covered by the reinsurance agreement.

We are subject to and establish estimates for claims arising out of catastrophes that may have a significant effect on our business, results of operations and/or financial condition. Catastrophes can be caused by various events, including, but not limited to, hurricanes, windstorms, earthquakes, hailstorms, explosions, power outages, severe winter weather, fires, global health pandemics and man-made events, such as terrorist attacks.

We have discontinued underwriting certain lines of business; however, we are still obligated to pay losses incurred on these lines. Certain lines currently in run-off are characterized by long elapsed periods between the occurrence of a claim and any ultimate payment to resolve the claim. Included in Run-off Lines are claims related to asbestos and environmental liabilities arising out of liability policies primarily written in the 1960s, 1970s and into the early 1980s with a limited number of claims occurring on policies written in the early 1990s. Business formerly written in our risk-management business is also classified in Run-off Lines. Additional discussion on Run-off Lines can be found under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 8, "Run-off Lines," in the Notes to the Consolidated Financial Statements.

Additional information relating to our loss reserve development is included under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 7, "Reserves for Losses and Loss Adjustment Expenses," in the Notes to Consolidated Financial Statements.

Investments

Our investment portfolio is designed to ensure adequate liquidity for the prompt payment of our obligations, including any potential claims payments. To ensure adequate liquidity for payment of claims, we broadly seek to match the profile of our invested assets with those of our liabilities. We consider liquidity, anticipated duration, and the currency of our liabilities when making investment decisions. To meet our liquidity needs, our bond portfolio consists primarily of investment grade, fixed-maturity securities. As of December 31, 2021, fixed maturities, along with cash and short-term investments, represented 91.9% of our total investments and cash equivalents.

In an effort to meet business needs and mitigate risks, our investment guidelines provide restrictions on our portfolio's composition, including issuer limits, sector limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types. Our investment managers may invest some of the investment portfolio in currencies other than the U.S. dollar based on where our business is underwritten, the currency in which our loss reserves are denominated and regulatory requirement.

The performance of our investment portfolio is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, currency fluctuations, liquidity risk and credit and default risk. Investment guideline restrictions have been established in an effort to minimize the effect of these risks but may not always be effective due to factors beyond our control. A significant change in interest rates could result in losses, realized or unrealized, in the value of our investment portfolio. Additionally, with respect to some of our investments, we are subject to prepayment and reinvestment risk. Certain investments are subject to restrictions on sale, transfer and redemption, which may limit our ability to withdraw funds or realize gains on such investments for some period of time after our initial investment. The values of, and returns on, such investments may also be more volatile.

Investment Committee and Investment Managers

The Investment Committee of our Board of Directors (the "Board") has approved an investment policy statement that outlines a Strategic Asset Allocation ("SAA"), which serves to govern our investment activity. The Investment Committee regularly monitors our overall investment results, alignment with our SAA, and ultimate compliance with investment objectives. The Investment Committee reports our overall investment results to the Board.
We currently use multiple professional investment managers to manage our portfolio. Our managers operate under guidelines, which support the SAA.

Additional information relating to our investment portfolio is included under Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," and Note 3, "Investments," in the Notes to Consolidated Financial Statements.

Human Capital Management

Company Culture and Core Values

We believe that developing a strong corporate culture is an important component of our human capital management practices and critical to our long-term success. Our culture is underpinned by four core values that unify our workforce: entrepreneurial spirit, doing the right thing, collaborating, and respecting each other. Our Code of Conduct and Business Ethics and related training programs, policies and procedures help ensure our commitment to living our values.

Employees

As of December 31, 2021, we had 1,290 employees, of which 1,273 are full-time employees. Approximately 939 were employed in the U.S. and 351 were employed in foreign countries including the U.K. and Bermuda. Additionally, we utilize independent contractors and temporary personnel to supplement our workforce. With the closing of the sale of our Brazilian operations on February 15, 2022, we have a small percentage of our employee population who are unionized, all of whom are in Italy. Based on feedback received from employees, including as a result of our annual confidential survey, we believe that our employees have a high rate of satisfaction with their employment.

As of December 31, 2021, our employees had the following self-identified gender demographics:

	Women	Men
Total Full-Time Employees	52%	48%

As of December 31, 2021, 85.27% of employees chose to voluntarily disclose their race and/or ethnicity to us, of which 22.4% self-identified as being part of an ethnic and/or racial minority group.

Diversity and Inclusion

Argo Group is committed to fostering, cultivating and preserving a diverse and inclusive culture that reflects and contributes to the diverse communities where we conduct our business. Argo Group is committed to ensuring that its employees feel comfortable bringing their authentic selves to work, are confident in being treated respectfully, and have equal opportunities to be successful. We believe that embracing our differences is critical to driving innovation and business results, and that some of the greatest ideas come from a diverse mix of minds, cultures and experiences.

Our three key diversity and inclusion ("D&I") priorities to advance our diverse and inclusive culture are:

- leadership commitment to D&I initiatives;
- supporting and nurturing an inclusive culture; and
- building and maintaining a diverse workforce.

We updated our previous Board-approved D&I Policy in November 2021 to outline the roles and responsibilities of key participants, including our executive sponsors, the D&I Committee and our Employee Resource Groups ("ERGs"). Our D&I Committee is comprised of executive leaders who champion the adoption and implementation of D&I initiatives throughout Argo Group. The D&I Committee oversees the development of corporate D&I strategies and initiatives, evaluates the progress of the D&I program against defined metrics and provides education and training to deepen and develop personal understanding of diversity and inclusion. We also require our employees to participate in training programs focused on creating a respectful workplace as well as other courses to further educate employees on diversity-related issues. Approximately 98% of our managers completed our Respectful Workplace training in 2021, which covers a wide range of topics, including inclusion, retaliation, harassment, discrimination, unconscious bias, bullying and ethical standards.

Also, as part of our D&I strategy, we continue investing in our eight voluntary ERGs to support our cultural values, drive our D&I priorities, promote belonging and allyship, and foster our commitment to build an inclusive and diverse work environment. Executive leaders sponsor each of our ERGs. We also communicate the importance of, and our commitment to, D&I through our periodic town halls and quarterly D&I newsletter. We have hosted several speakers and educational events, including nine ERG-sponsored speaker series and seven employee voice videos featuring ERG members. Argo Group hosted five live, virtual events promoting D&I and other issues: International Women's Day, Pride Month, Women in Leadership, Disability Awareness and Early Career Professionals. In addition, our ERGs sponsored initiatives such as recognizing a Diversity Day to enable employees to take leave to recognize important religious and cultural celebrations.

We are committed to cultivating an inclusive workplace where there are equal opportunities for all employees to be successful. We are committed to pay parity to ensure employees in the same job and location are paid fairly regardless of their gender. As part of this commitment, we have implemented a company-wide career and compensation framework to help provide consistent pay for similar work, enabling us to more accurately compare jobs across the organization and ensure our compensation practices are fair and equitable. We also published our U.K. gender pay gap report on our website in line with the legislative requirement in the U.K.

Recruitment and Retention

Argo Group is focused on recruiting diverse individuals with various professional backgrounds, interests and levels of expertise. We seek individuals with unique experiences and skill sets to complement and enhance our current workforce. We seek to look at a diverse slate of candidates for open roles and, when interviewing, we seek a diverse representation of interviewers for panel interviews. We recruit through a variety of channels, including professional partnerships, job fairs, online platforms, and diversity-related recruiting events and initiatives. In addition, our talent acquisition team has hosted five LinkedIn Live sessions promoting inclusion and diversity, and we are actively partnering with a variety of organizations, such as the National African American Insurance Association, to help source a diverse talent pipeline.

Our ongoing commitment to internal and external talent development, diversity and inclusion, career opportunities and positive employee engagement plays a critical role in our employee retention plan. We regularly monitor and evaluate turnover metrics to ensure we are responsive to the evolving and competitive market for top talent.

Employee Development

We are committed to developing our employees through a series of professional and personal growth experiences. We develop our talent, deepen our employees' skills, and provide growth opportunities. We emphasize experiential learning through challenging assignments and stretch opportunities. In addition, one of our core values is collaboration and our employees learn through mentoring, feedback and relationships with their colleagues. We offer formal learning through a robust online learning platform to accommodate various schedules and diverse learning styles. Our employees also benefit from reimbursement of qualified tuition and education-related fees (including professional and industry designations).

We encourage our employees to be innovative through two platforms: our innovation council, which provides employees the chance to present and discuss business opportunities relating to a rotating list of topics currently focused on digital environments, supply chains and sustainability, and our innovation platform, which encourages all employees to share their ideas to drive efficiency, reduce expenses, and/or solve for emerging risks in the insurance industry. Our annual talent review process highlights key areas of development for all critical positions.

Employee Engagement

We value the opinions and diverse perspectives of our employees and utilize the feedback that we receive throughout the year to help develop many of our programs, policies, and benefits. We measure employee engagement and satisfaction by conducting a confidential annual enterprise-wide employee pulse survey performed by a third-party platform. In addition, in 2021 we also conducted an enterprise-wide, D&I-focused survey utilizing the same third-party platform. These surveys are designed to provide management with actionable insights into employee well-being and sense of inclusion.

In 2021, our participation rate improved from prior year, aligning us with the global benchmark as measured by our third-party vendor. Summary results were shared with all employees (additional detail shared with managers) and the feedback was used to steer our continuous improvement efforts. Employees gave the Company high ratings for a "discrimination-free," respectful workplace that enables a culture accepting authentic expression.

The survey also reaffirmed our decision to focus on improving employee experience, sentiment associated with prospects for the future, career opportunities, and an overall focus on diversity. These areas of focus are especially important given the ongoing transformation of the Company and the extended period of remote work due to the COVID-19 pandemic.

Employment Benefits (Total Rewards)

Argo Group is committed to a pay-for-performance culture that allows for competitive market-based overall compensation. In 2021, we completed a comprehensive assessment of our pay practices for all employees, including the review of short- and long-term incentive programs, that resulted in:

- increased pay transparency;
- more consistency and clarity around pay decisions;
- clear career paths for employees; and
- a thorough understanding of our pay-for-performance compensation philosophy.

Our total rewards program includes a comprehensive benefits package, such as:

- flexible workplace options, including new unpaid sabbaticals and flexible work options;
- education benefits, including tuition reimbursement and education bonuses;
- wellness program;
- paid parental and caregiver leave programs;
- an employee assistance program; and
- a retirement savings plan.

Health and Safety

The health and safety of our employees is our highest priority. We regularly provide workplace safety training to our employees and share best practices for a safe work environment. Ongoing courses include: Mental Health Forums, Security Awareness, Code of Conduct Best Practices, Respectful Workplace, Sexual Harassment Awareness, Whistleblowing, Anti-Fraud and Phishing Awareness and Prevention.

Our benefits are also designed to help protect the well-being of employees and their families. We encourage our employees to stay healthy by offering opportunities to learn about wellness and participate in activities that foster a healthy lifestyle.

Succession Planning

Succession planning is a critical component to our talent management strategy and our continued success as an organization. On an ongoing basis, management conducts a talent and succession plan for our senior executive team and other critical roles in the organization (both for permanent succession and for temporary succession in the event of an emergency or other short-term event), subject to evaluation by the Human Resources Committee of the Board. On an annual basis, our Board also receives a comprehensive succession plan for each member of our senior executive team.

COVID-19 Response

In response to the COVID-19 pandemic, Argo Group created the Recovery Readiness Task Force, a cross-functional team of senior leaders to ensure business continuity and address the needs of our employees. Throughout the COVID-19 pandemic, we have sought to provide employees with the tools and technology to enable them to effectively perform their respective job functions in a remote setting. In addition, we have also launched various initiatives designed to mitigate the challenges of working remotely, including live training sessions focused on how to manage the future of work at Argo Group. Our flexible workplace policy allows for our employees to work remotely. For those employees returning to our offices, we reconfigured our physical offices to help ensure their safety. We continue to monitor and adjust our workplace polices to meet the needs of our business and our employees.

Further Information

For more information on our human capital including our commitments, goals, initiatives and progress, as well as our employee demographics, refer to our ESG Report on our website, www.argolimited.com, under the heading "Investors." Our 2022 ESG Report is expected to be published prior to our 2022 Annual Meeting of Shareholders.

Available Information

We file annual, quarterly and current reports, proxy statements and other information and documents with the U.S Securities and Exchange Commission ("SEC"), which are made available at www.sec.gov. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, interactive data files, current reports on Form 8-K and amendments to those reports filed with or furnished to the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") as soon as reasonably practical after we electronically file them with or furnish them to the SEC. General information about us, including our Corporate Governance Guidelines, Code of Conduct and Business Ethics, Financial Condition Report, charters for the Audit, Human Resources, Investment, Nominating and Corporate Governance, and Risk & Capital Committees of our Board of Directors, can be found on our website at www.argolimited.com. The information contained on our website is not included as a part of, or incorporated by reference into, this Form 10-K and such web addresses are provided as textual references only. Our Code of Conduct and Business Ethics applies to all of our board members, officers, third-party providers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Any of the above documents will be provided without charge upon written request to the Assistant Vice President, Investor Relations, P.O. Box HM 1282, Hamilton HM FX, Bermuda, or by telephone (441) 296-5858. All such documents are also physically available at our principal office at 90 Pitts Bay Road, Pembroke, Bermuda HM 08.

Item 1A. Risk Factors

Summary of Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common shares. Investors should carefully consider these risks, along with the other information included in this Form 10-K and in our other filings with the SEC, before making an investment decision regarding our common shares. There may be additional risks of which we are currently unaware or that we currently consider immaterial. All of these risks could have a material adverse effect on our financial condition, results of operations and/or value of our common shares.

- **Insurance Underwriting Risks**. Insurance underwriting risks include risks related to adverse changes in the value of insurance liabilities, including risks related to an excess or shortage of underwriting capacity, unexpected changes in the claims, legal or social environment, changes to distribution channels, sufficiency of reserves, our ability to compete effectively, breach of the obligations of our agents, as well as insurance risks arising from the ongoing COVID-19 pandemic.

- **Operational Risks.** Operational risks include risks related to employee retention and changes in key personnel, strategies and processes to mitigate insurance risks, ineffective internal controls, information technology, failure to protect confidential information and outsourcing relationships.
- **Financial Risks.** Financial risks cover our market, credit, investment and liquidity risks, which include risks related to the performance of Argo Group's investment portfolio as well as risks related to the performance of financial markets, economic and political conditions, foreign currency fluctuations, impairments in goodwill and investments, performance of counterparties, the transition from London Interbank Offering Rate ("LIBOR") and the availability of reinsurance.
- **Strategic Risks.** Strategic risks include risks related to Argo Group's inability to implement appropriate business plans and strategies, and include risks related to the macroeconomic environment, risk-based capital requirements, the Company's debt, holding company structure, ratings and strategic transactions.
- **Reputational Risks.** Reputational risks include risks related to the risk of potential loss through a deterioration of Argo Group's reputation, and include risks related to potential violations of sanctions, anti-corruption or AML regulations, activist shareholder actions and other investor and stakeholder actions.
- **Legal, Regulatory and Litigation Risks.** Legal, regulatory and litigation risks include risks related to the outcome of legal and regulatory proceedings, including regulatory constraints on Argo Group's business, including constraints imposed on our Bermuda, U.S., U.K., or other subsidiaries, risk-based capital and solvency requirements, the outcome of legal proceedings, and limitations on a potential change of control due to Argo Group's corporate structure.
- **Taxation Risks**. Taxation risks include risks related to the Company and its non-U.S. subsidiaries' potential exposure to various taxes, including the Company's non-U.S. subsidiaries being subject to U.S. federal income tax, recharacterization of our reinsurance agreements for tax purposes, potential increased tax liabilities due to changes in U.S. federal tax laws, U.S. equity security holders' potential exposure to U.S. federal income taxes on the Company's or its non-U.S. subsidiaries' undistributed earnings and profits, reclassification of Argo Group as a passive foreign investment company which could have adverse tax consequences to our U.S. shareholders, ineligibility for benefits under the U.S.-U.K. and U.S.-Ireland income tax treaty, transfer pricing adjustments, potential exposure to U.K. and Bermuda taxes and the impact of Organisation for Economic Co-operation and Development ("OECD") recommendations.

Insurance Underwriting Risks

Insurance underwriting risks are defined as the risk of loss, or adverse change in the value of insurance liabilities, due to inadequate pricing and/or reserving practices. These risks may be caused by the fluctuations in timing, frequency and severity of insured events and claim settlements in comparison to the expectations at the time of underwriting.

We may incur income statement charges if the reserves for losses and loss adjustment expenses are insufficient (or redundant). Such income statement charges could be material, individually or in the aggregate, to our financial condition and operating results in future periods.

General Loss Reserves

We maintain reserves for losses and loss adjustment expenses to cover estimated ultimate unpaid liabilities with respect to reported and unreported claims incurred as of the end of each balance sheet date. Reserves do not represent an exact calculation of liability, but instead represent management's best estimates, which take into account various statistical and actuarial projection techniques as well as other influencing factors. Multiple actuarial methods are used in developing the ultimate claims liability. Each method has its own set of assumption variables and its own advantages and disadvantages. The relative strengths and weaknesses of a particular estimation method when applied to a particular group of claims can also change over time. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic and social inflation, legal precedent and legislative changes.

Social, economic, political and environmental issues, including rising income inequality, climate change, prescription drug use and addiction, exposures to new substances or those previously considered to be safe, along with the use of social media to proliferate messaging around such issues, has expanded the theories for reporting claims, which may increase our claims administration and/or litigation costs. State and local governments' increased efforts aimed to respond to the costs and concerns associated with these types of issues, may also lead to expansive, new theories for reporting claims or may lead to the passage of "reviver" statutes that extend the statute of limitations for the reporting of these claims, including statutes passed in certain states with respect to abuse claims. In addition, these and other social, economic, political and environmental issues may either extend coverage beyond our underwriting intent or increase the frequency or severity of claims.

In addition, many of these items are not directly quantifiable, particularly on a prospective basis, and there may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurer. During such a time lag, there may be development of claims that varies from that which was expected when loss reserves were established, adverse legal rulings which may impact the liability under insurance contracts beyond that which was anticipated when the reserves were established, and development of new theories related to coverage which may increase liabilities under insurance contracts beyond that which were anticipated when the loss reserves were established. Given the long-tail nature of some of our claims, judgement used in selecting actuarial assumptions and weighing the indications of the various actuarial methods in developing our ultimate loss selection may have a material impact on our reserves. Construction defect and professional liability claims are two examples where determining the ultimate claims liability can be complex and challenging. Claims on these lines are subject to greater inherent variability than is typical of the remainder of the Company's reserves, and are highly dependent upon court settlements, economic conditions, and the predictability of those results inherently have a larger range of potential outcomes. For example, for the construction defect lines the Company's reserve estimates for recent accident years rely heavily on expected loss ratios that are derived from analysis of rate changes, changes in underwriting, and other factors which are all effected by market conditions. While the Company believes the methods used to measure these changes are reasonable with input from the claims and underwriting departments, it is difficult to precisely measure the potential impacts on the Company's reserves. Although reserve estimates are continually reevaluated in a regular ongoing process, because the calculation and setting of the reserves for losses and loss adjustment expenses is an inherently uncertain process dependent on estimates, our existing reserves may be insufficient or redundant and estimates of ultimate losses and loss adjustment expenses may increase or decrease over time.

In light of these inherent uncertainties and as a result of our fourth quarter 2021 reserve review, we strengthened our prior year reserve development by $138.3 million. The largest reserve increases were related to construction defect claims within the Company's U.S. Operations, in addition to reserve increases in the Run-off Lines segment. Such reserves were established in accordance with applicable insurance laws and U.S. GAAP. For further discussion of our loss reserves, please see Part II, Item 7 "Management's discussion and analysis of financial condition and results of operations-Critical accounting policies, estimates and recent accounting pronouncements" and "Management's discussion and analysis of financial condition and results of operations-Reserves for losses and loss adjustment expenses."

Asbestos and Environmental Liability Loss Reserves

In addition to the previously described general uncertainties encountered in estimating reserves, there are significant additional uncertainties in estimating the amount of our potential losses from asbestos and environmental claims. Reserves for asbestos and environmental claims cannot be estimated with traditional loss reserving techniques that rely on historical accident year development factors due to the uncertainties surrounding these types of claims.

Among the uncertainties impacting the estimation of such losses are:

- difficulty in identifying sources of or exposure to environmental or asbestos contamination;
- uncertainty regarding the number and identity of insureds with potential asbestos or environmental exposure;
- changes in underlying laws and judicial interpretation of asbestos-related laws, including with respect to the interpretation and application of insurance coverage; and
- difficulty in properly allocating responsibility and/or liability for environmental or asbestos damage.

Although we have established reserves to account for our exposure to asbestos and related environmental liability claims, management believes these factors continue to render traditional actuarial methods less effective at estimating reserves for asbestos and environmental losses than reserves on other types of losses. In addition, there is no assurance that future adverse development will not occur, and such development may have an adverse effect on our results of operations.

Black Lung Disease Loss Reserves

Through workers compensation coverage provided to coal mining operations by our subsidiary Rockwood, we have exposure to claims for black lung disease. Those diagnosed with black lung disease are eligible to receive workers compensation benefits from various U.S. federal and state programs. These programs are continually being reviewed by the governing bodies and may be revised without notice in such a way as to increase our level of exposure.

As described above, estimates of ultimate losses and loss adjustment expenses may increase in the future. Such changes in estimates could be material, individually or in the aggregate, to our future operating results and financial condition. We can provide no assurances such capital will be available.

Additional information relating to our reserves for losses and loss adjustment expense is included under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7, "Reserves for Losses and Loss Adjustment Expenses," in the Notes to Consolidated Financial Statements.

We operate in a highly competitive environment and no assurance can be given that we will continue to be able to compete effectively in this environment.

We compete with numerous companies that provide casualty, property and specialty lines of insurance and related services. Some of those companies have a larger capital base and are more highly rated than we are. No assurance can be given that we will be able to continue to compete successfully in the insurance market. Increased competition in these markets could result in a change in the supply and/or demand for insurance, affect our ability to price our products at risk-adequate rates and retain existing business or underwrite new business on favorable terms. If this increased competition limits our ability to transact business, our operating results could be adversely affected.

Our insurance subsidiaries have exposure to unpredictable and unexpected changes in the claims environment or catastrophes and terrorist acts that can materially and adversely affect our business, results of operations and/or financial condition.

Emerging Claims

Changes in industry practices and legal, judicial, social, technological and other environmental conditions may have an unforeseeable adverse impact on claims and coverage issues. This could include the impact of "social inflation," which is generally described by the rising costs of insurance claims due to societal trends which may result in increased litigation, broader definitions of liability and contractual interpretations, plaintiff-friendly legal decisions, larger compensatory jury awards, and larger awards for non-economic damages. These issues may adversely affect our business, such as by extending coverage beyond the intended scope at the time of underwriting business or increasing the number or size of expected claims. In some instances, these changes may not become apparent until sometime after insurance contracts that are affected were issued and hence cannot be appropriately factored into the underwriting decision. As a result, the full extent of liability under such insurance contracts may not be known for many years after these contracts have been issued, and our financial position and results of operations may be materially and adversely affected in such future periods. We maintain an emerging risk identification, analysis and reporting process, overseen by our Emerging Risk Review Group, as part of our enterprise risk framework, which seeks to provide an early identification of such trends. The effects of these and other unforeseen evolving or emerging claims and coverage issues are inherently difficult to predict.

Catastrophic Losses

We are subject to claims arising out of catastrophes that may have a significant effect on our business, results of operations and/or financial condition. Catastrophes can be caused by various events, including tornadoes, hurricanes, windstorms, tsunamis, earthquakes, hailstorms, explosions, power outages, severe winter weather, wildfires and man-made events, including civil unrest. The incidence and severity of such catastrophic events are inherently unpredictable, and our losses from catastrophes could be substantial. Logistical challenges in responding to such events, resource constraints and other difficulties in resolving associated claims may ultimately result in higher claim amounts than expected. Insurance companies are generally not permitted to reserve for probable catastrophic events until they occur. Therefore, although we will actively manage our risk exposure to catastrophes through underwriting limits and processes, and further mitigate it through the purchase of reinsurance protection and other hedging instruments, an especially severe catastrophe or series of catastrophes could exceed our reinsurance or hedging protection and may have a material adverse impact on our business, results of operations and/or financial condition.

Terrorism

We are exposed to the risk of losses resulting from acts of terrorism. Reinsurers are able to exclude coverage for terrorist acts or price that coverage at rates that we consider attractive. However, direct insurers, like our primary insurance company subsidiaries, might not be able to likewise exclude coverage of terrorist acts because of regulatory constraints. Terrorism exclusions are not permitted in the U.S. for worker's compensation policies under U.S. federal law or under the laws of any state or jurisdiction in which we operate. When underwriting existing and new workers compensation business, we consider the added potential risk of loss due to terrorist activity, including foreign and domestic, and this may lead us to decline to underwrite or to renew certain business. However, even in lines where terrorism exclusions are permitted, our clients may object to a terrorism exclusion in connection with business that we may still desire to underwrite without an exclusion, some or many of our insurance policies may not include a terrorism exclusion. Given the reinsurance retention limits imposed under the TRIA and its subsequent legislative extensions, and that some or many of our policies may not include a terrorism exclusion, future foreign or domestic terrorist attacks may result in losses that have a material adverse effect on our business, results of operations and/or financial condition. See "Item 1. Business-Regulation" for a description of the applicability of the TRIA and the Terrorism Risk Insurance Program Reauthorization Act of 2014 to the Argo Group of Companies and its U.S. operations.

In the event coverage of terrorist acts cannot be excluded, we, in our capacity as a primary insurer, would have a significant gap in our own reinsurance protection with respect to potential losses as a result of any terrorist act. It is impossible to predict the occurrence of such events with statistical certainty and difficult to estimate the amount of loss per occurrence they will generate. If there is a future terrorist attack, the possibility exists that losses resulting from such event could prove to be material to our financial condition and results of operations. Terrorist acts may also cause multiple claims, and there is no assurance that our attempts to limit our liability through contractual policy provisions will be effective.

The ongoing COVID-19 pandemic, including the impact of new strains of the virus, could adversely affect our business, including revenues, profitability, results of operations, and/ or cash flows, in a manner and to a degree that cannot be predicted but could be material.

The global COVID-19 pandemic, including the arrival of new strains of the virus, has resulted in, and is expected to continue to result in, significant disruptions in economic activity and financial markets worldwide. COVID-19 has directly and indirectly adversely affected the Company and may continue to do so for an uncertain period of time.

For the year ended December 31, 2021, our underwriting results included net pre-tax charges of $12.4 million, associated with COVID-19 and related economic conditions, primarily resulting from contingency and property exposures in the Company's International Operations and property exposures in its U.S. Operations. Property losses relate to sub-limited affirmative business interruption coverage, primarily in certain International markets, as well as expected costs associated with claims handling. Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during 2021 fiscal year. The extent to which COVID-19 will continue to impact our business will depend on future developments, and while we have recorded our best estimates of this impact as of and for the year ended December 31, 2021, actual results in future periods could materially differ from those disclosed herein.

The continued effects of COVID-19 and its variants on the Company cannot be predicted at this time, but could include, without limitation:

- Increased claims, losses, litigation, and related expenses,
- Increased vulnerability to cyberthreats or other disruption in our operations in connection with our employees working remotely with greater frequency,
- Increased losses due to legislative, regulatory, and judicial actions in response to COVID-19, including, but not limited to, actions prohibiting us from cancelling insurance policies in accordance with our policy terms, requiring us to cover losses when our policies did not provide coverage or excluded coverage, ordering us to provide premium refunds, granting extended grace periods for payment of premiums, and providing for extended periods of time to pay past due premiums,
- Volatility and declines in financial markets which, in response to COVID-19, has reduced, and could continue to reduce, the fair market value of, or result in the impairment of, invested assets held by the Company,
- An increase in claims as a result of the COVID-19 pandemic. Ultimate losses from COVID-19-related claims could be greater than our reserves for those losses,
- Reduced demand for our insurance policies due to reduced economic activity which could negatively impact our revenues,
- An increase in loss costs and, as such, the need to strengthen reserves for losses and loss adjustment expenses due to higher than anticipated inflation as a result of recent actions taken by the federal government and the Federal Reserve,
- Reduced cash flows from our policyholders delaying premium payments,
- Erosion of capital and an increase in the cost of reinsurance as well as an increase in counterparty credit risk, and
- Disruptions in our operations due to difficulties experienced by our partners and outsourced providers that may, among other items, adversely impact our ability to manage claims.

These factors and others that are currently unknown related to the COVID-19 pandemic could materially and adversely Company's business, liquidity, results of and may also have the effect of heightening many of the other risks described in these Risk Factors.

Global climate change, as well as increasing related regulation, may have an adverse affect on our business, financial results and operations.

We are exposed to physical and transition risks as a result of global climate change, and classify climate change as a material emerging risk. Physical risks arise from the direct effects of climate change, such as the destruction of property and infrastructure, which may result in a business interruption. Transition risks arise from the process of transitioning towards a low-carbon economy, primarily from extensive policy, legal/regulatory, technology, social and market changes in support of this transition. In addition, we may be exposed to losses in the value of our investments arising from the physical and transition impacts of climate change, including 'stranded assets', on the companies and securities in which we invest. We manage a well-diversified portfolio, both geographically and by sector, and we monitor our investment-allocation strategies as the economy transitions toward long-term decarbonization, allowing us to adjust our exposure to sectors and/or geographical areas that face severe risks due to climate change. Despite these efforts, there remains a risk that our financial condition or operating performance may be impacted by changes in our business model arising from climate change transition, and by the performance of strategies we put in place to manage this transition.

Physical Risks

A rise in the frequency of extreme weather events has increased natural disaster-related insurance claims, particularly from underwriting property insurance, requiring us to consider changes in premiums, product coverages, underwriting practices, and reinsurance utilization. Changes in climate conditions may also cause our underlying modeling data to no longer appropriately reflect the frequency and severity, limiting our ability to effectively evaluate and manage the related risks, of catastrophes and severe weather events.

Over the longer term, climate change may also have an impact on the economic viability of certain lines of business if suitable adjustments in price and coverage cannot be achieved. Climate change has been, and continues to be, a significant factor in the property insurance and reinsurance businesses and is something we have considered when reassessing our lines of business and our risk appetite for catastrophe-exposed property insurance. The effects of climate change could also lead to increased credit risk of other counterparties we transact business with, including reinsurers.

Transition Risks

We may face market pressure to contribute to a low-carbon economy, including, to no longer underwrite risks for carbon-intensive business (reducing insurance liability exposure) and to no longer invest in carbon-intensive business (reduce insurance asset portfolio exposure). There is a risk that certain elements of our business cease to be viable as a result of such climate change ‘transition’. Additionally, government policies or regulations to slow climate change, such as emission controls or technology mandates, may have an adverse impact on sectors such as utilities, transportation and manufacturing, affecting demand for our products and our investments in these sectors.

As part of the transition risks, we may also face liability associated with allegations of failure to mitigate or adapt to climate change risk or associated disclosure failures. We are subject to complex and changing laws, regulation and public policy debates relating to climate change which are difficult to predict and quantify and may have an adverse impact on our business. Changes in regulations relating to climate change or our own decisions implemented as a result of assessing the impact of climate change on our business may result in an increase in the cost of doing business or a decrease in premiums in certain lines of business. Because there is significant variability associated with the impacts of climate change, we cannot predict how legal, regulatory and social responses may impact our business.

Because our business is dependent upon insurance and reinsurance agents and brokers, we are exposed to certain risks arising out of distribution channels that could cause our results to be adversely affected.

We market and distribute some of our insurance products and services through a select group of wholesale agents who have limited quoting and binding authority and who, in turn, sell our insurance products to insureds through retail insurance brokers. These agencies can bind certain risks that meet our pre-established guidelines. If these agents fail to comply with our underwriting guidelines and the terms of their appointment, we could be bound on a particular risk or number of risks, that were not anticipated, when we developed the insurance products. Such actions could adversely affect our results of operations. Additionally, in any given period, we may derive a significant portion of our business from a limited number of agents and brokers and the loss of any of these relationships, or significant changes in distribution channels resulting in loss of access to market through those agents and brokers, could have a significant impact on our ability to market our products and services.

In accordance with industry practice, we may pay amounts owed on claims under our insurance and reinsurance contracts to brokers and/or third-party administrators who in turn remit these amounts to our insureds or reinsureds. Although the law is unsettled and depends upon the facts and circumstances of each particular case, in some jurisdictions in which we conduct business, if an agent or broker fails to remit funds delivered for the payment of claims, we may remain liable to our insured or reinsured ceding insurer for the deficiency. Likewise, in certain jurisdictions, when the insured or reinsured pays the remitting funds to our agent or broker in full, our premiums are considered to have been paid in full, notwithstanding that we may or may not have actually received the premiums from the agent or broker. Consequently, we assume a degree of credit risk associated with certain agents and brokers with whom we transact business.

The insurance business is historically cyclical, and we may experience periods with excess underwriting capacity and unfavorable premium rates; conversely, we may have a shortage of underwriting capacity when premium rates are strong, both of which could adversely impact our results.

Historically, insurers and reinsurers have experienced significant fluctuations in operating results due to competition, frequency and severity of catastrophic events, levels of capacity, adverse trends in litigation, regulatory constraints, general economic conditions and other factors. The supply of insurance is related to prevailing prices, the level of insured losses and the level of capital available to the industry that, in turn, may fluctuate in response to changes in rates of return on investments being earned in the insurance industry. As a result, the insurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity increased premium levels. Demand for reinsurance depends on numerous factors, including the frequency and severity of catastrophic events, levels of capacity, introduction of new capital providers, general economic conditions and underwriting results of primary insurers. The supply of reinsurance is related to prevailing prices, recent loss experience and capital levels. All of these factors fluctuate and may contribute to price declines generally in the reinsurance industry.

We cannot predict with certainty whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to underwrite insurance at rates that we consider appropriate and commensurate relative to the risk assumed. If we cannot underwrite insurance at appropriate rates, our ability to transact business would be materially and adversely affected. Any of these factors could lead to an adverse effect on our business, results of operations and/or financial condition.

Our agents, producers, or other third parties may exceed their underwriting authorities, commit fraud or otherwise breach obligations owed to us, which could adversely affect our results of operations and financial condition.

We authorize managing general agents, general agents and other producers to write business on our behalf from time to time within underwriting authorities we prescribe. We rely on the underwriting controls of these agents and producers to write business within these underwriting authorities. Our monitoring efforts may not be adequate and our agents and producers may exceed their underwriting authorities or otherwise breach obligations owed to us. There is also the risk that we may be held responsible for obligations that arise from the acts or omissions of third parties if they are deemed to have acted on our behalf. In addition, our agents, producers, insureds or other third parties may commit fraud or otherwise breach their obligation to us. To the extent that our agents, producers, insureds or other third parties exceed their authorities, commit fraud or otherwise breach obligations owed to us, our operating results and financial condition may be materially adversely affected.

<u>Operational Risks</u>

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people, systems or the operational impact of external events. This risk encompasses all exposures faced by functions and services rendered in the course of conducting business including, but not limited to, underwriting, accounting and financial reporting, business continuity, claims management, information technology and data processing, legal and regulatory compliance, outsourcing and reinsurance purchasing.

We may be unable to attract and retain qualified employees and key executives.

We depend on our ability to attract and retain experienced underwriting talent, skilled employees and seasoned key executives who are knowledgeable about our business. The pool of highly skilled employees available to fill our key positions may fluctuate based on market dynamics specific to our industry and overall economic conditions. As such, higher demand for internal leaders and employees having desired talents could lead to increased compensation expectations for existing and prospective personnel, making it difficult for us to recruit and retain key employees and/or maintain labor costs at desired operating levels. If we are unable to attract and retain such talented team members and leaders, we may be unable to maintain our current competitive position in the specialized markets in which we operate and be unable to expand our operations into new markets, which could adversely affect our results.

Argo Group and its subsidiaries, Argo Re and Argo Insurance Services Bermuda, Ltd., acting on behalf of Syndicate 1200, have operations that require highly skilled personnel to work in Bermuda. The ability to fill certain highly skilled key positions in Bermuda is constrained by Bermuda law, which provides that non-Bermudians are not permitted to engage in any occupation in Bermuda without an approved work permit from the Bermuda Department of Immigration. If the Bermuda Department of Immigration changes its current policies with respect to work permits, and as a result these key employees are unable to work in Bermuda, our operations could be disrupted and our financial performance could be adversely affected.

In addition, offices in foreign jurisdictions, such as Bermuda, U.K. and Dubai, may have residency and other mandatory requirements that affect the composition of its local boards of directors, executive teams and choice of third-party service providers. Due to the competition for available talent in such jurisdictions, we may not be able to attract and retain personnel as required by our business plans, which could disrupt operations and adversely affect our financial performance.

Loss of our executive officers or other key personnel or other changes to our management team could disrupt our operations or harm our business.

We depend on the efforts of our executive officers and certain key personnel. Any unplanned turnover or our failure to develop an adequate succession plan or business continuity plan for one or more of our executive officers or other key positions could deplete our institutional knowledge base and erode our competitive advantage. The loss or limited availability of the services of one or more of our executive officers or other key personnel, or our inability to recruit and retain qualified executive officers or other key personnel in the future, could, at least temporarily, have a material adverse effect on our operating results and financial condition. Leadership transitions can be inherently difficult to manage, and an inadequate transition may cause disruption to our business, including to our relationships with our customers and employees.

Our strategies and processes to mitigate insurance risk may fail and have an adverse effect on our business.

We use a number of strategies and processes to mitigate our insurance risk exposure including:

- engaging in disciplined and rigorous underwriting within clearly defined risk parameters and subject to various levels of oversight by experienced underwriting professionals;
- undertaking technical analysis to inform pricing decisions;
- carefully evaluating terms and conditions of our policies;
- focusing on our risk aggregations by geographic zones, industry type, credit exposure and other bases; and
- ceding insurance risk to reinsurance companies.

However, there are inherent limitations to the effectiveness of these strategies and processes. No assurance can be given that a failure to maintain or follow such processes or controls, an unanticipated event or series of such events will not result in loss levels that could have a material adverse effect on our financial condition or results of operations.

If we fail to maintain an effective system of disclosure controls and internal controls over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are required to maintain effective disclosure controls and procedures and internal control over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud.

Our management does not expect that our disclosure controls or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all control systems, our evaluation of controls cannot provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people. Additionally, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. As a result, our internal controls over financial reporting may have gaps or other deficiencies.

We identified a material weakness in our internal control over financial reporting during the fourth quarter of 2020, as described in our annual report for the year ended December 31, 2020. During 2021, we implemented and tested remedial controls, and our management concluded that such material weakness had been fully remediated as of December 31, 2021. However there is no guarantee that future significant deficiencies or material weaknesses in internal controls may not occur. Any such gaps or deficiencies may require significant resources to remediate, could cause delays in our filing of quarterly or annual financial results, require the attention of management, and may also expose us to litigation, regulatory fines or penalties, or other losses. Inadequate process design or a failure in operating effectiveness could result in a material misstatement of our financial statements due to, but not limited to, poorly designed systems, changes in end-user computing, poorly designed IT reports, ineffective oversight of outsourced processes, failure to perform relevant management reviews, accounting errors or duplicate payments, any of which could result in a restatement of financial accounts. If our management team is unable to assert that our internal control over financial reporting is effective as of the end of a fiscal year or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, investor confidence in the accuracy and completeness of our financial statement and reports could be negatively impacted, which may have an adverse effect on our reputation and share price.

We are dependent on our information technology network and systems which could fail or suffer a cybersecurity breach, which could adversely affect our business, reputation, results of operations or financial condition or result in the loss of sensitive information.

Our business is highly dependent upon the successful and uninterrupted functioning of our information technology network and systems for various purposes, including accounting, policy administration, actuarial and other modeling functions necessary for underwriting business, and claims and payment processing. Certain of our operations are also dependent upon systems operated by third parties, including administrators, market counterparties and their sub-custodians and other service providers, and our service providers may also depend on information technology systems. Notwithstanding the diligence that we perform on our service providers, we may not be able to verify the risks or reliability of such third-party information technology systems.

While we are not aware of a material cybersecurity breach to date, we have no assurance that a breach will not occur in the future. Incidents of publicly reported cyber security incidents have increased over the past few years. Over time, and particularly recently, the sophistication of these threats has continued to increase. The potential consequences of a material cybersecurity incident include disruption to business operations, a loss of confidential information, reputational damage, litigation with third parties, and remediation costs, which in turn could have a material impact on our results of operation or financial condition. In some cases, such unauthorized access may not be immediately detected. We may also be adversely impacted by successful cyberattacks of business partners, vendors and others in our supply chain with whom we conduct business or share information. This may impede or interrupt our business operations and could adversely affect our consolidated financial condition or results of operations. We also operate in a number of jurisdictions with strict data privacy and other related laws, which could be violated in the event of a significant cybersecurity incident. Failure to comply with these obligations can give rise to monetary fines and other penalties that could be material. Although we have implemented multiple layers of protection to minimize the risks to systems, personal information and the privacy of individuals, including robust training, review, and audit procedures, there is no assurance that our information security and data protection measures will provide adequate protection from such events. While we continue to maintain and review our cyber liability insurance protection, such insurance may not provide insurance coverage for all of the costs and damages associated with the consequences of a cybersecurity incident.

We have been required to further rely on our information technology network and systems as our employees are working remotely with greater frequency in response to the COVID-19 pandemic. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts. While administrative and technical controls, along with other preventive actions, reduce the risk of cyber incidents and protect our information technology, they may be insufficient to thwart cyberattacks and/or prevent other security breaches to our systems.

In addition to cyber-attack risk, we face system availability risk. Our business relies heavily on various information technology and application systems that may be impacted by an unplanned loss of availability unrelated to malicious cyber-attacks. A failure in one or more systems, including those at facilities where we or our vendors operate systems, may interrupt our ability to operate and negatively impact our results of operations.

Any failure to protect the customer personal information that we handle routinely could adversely affect our business, reputation, results of operations or financial condition.

We are subject to a range of data protection laws and regulations enacted in the jurisdictions in which we do business. See “Item 1. Business — Regulation” for a description of the applicable data protection regulations and requirements. Argo Group recognizes the importance of maintaining data protection for the customer information, including any personal information, we collect and process. We have established policies, standards, and procedures to assist in our compliance with applicable data protection laws and regulations.

We are not aware of a material privacy breach to date, and specifically no material events involving customer information, but we have no assurance that a breach will not occur in the future. We routinely transmit, receive and store certain types of personal information by email and other electronic means. Although we attempt to protect this personal information and have implemented robust privacy protection standards and training programs to mitigate the risk of a privacy breach, we may be unable to protect personal information in all cases, especially when such information is shared with customers, business partners, and other third parties who may not have or use appropriate controls to protect personal information.

The misuse, mishandling, or compromise of the personal information we collect, process, and retain could damage our businesses and our reputation or result in significant monetary damages, regulatory enforcement actions, fines and criminal prosecution in one or more jurisdictions. The potential consequences of a material privacy breach include reputational damage, investigations, litigation with third parties, regulatory fines, sanctions, or penalties, and associated remediation costs, which in turn could have a material impact on our results of operations or financial condition. While we maintain and periodically review our cyber liability insurance, such insurance may be inadequate and/or not cover indirect costs or consequential damages associated with a material breach of personal information.

Furthermore, certain of our businesses are subject to compliance with laws and regulations enacted by U.S. federal and state governments, Bermuda (including Personal Information Protection Act 2016), the E.U. or other jurisdictions or enacted by various regulatory organizations or exchanges relating to the privacy and security of the information of clients, employees or others. The variety of applicable privacy and information security laws and regulations in local jurisdictions exposes us to heightened regulatory risks and requires us to incur significant technical, legal and other expenses to ensure and maintain compliance. If we are found to be out of compliance with these laws and regulations, we could be subjected to significant civil and criminal liability and exposed to reputational harm.

We may experience issues with outsourcing relationships which might impact our ability to conduct business in a prudent manner and could negatively impact our operations, results and financial condition.

We continue to outsource a number of technology and business process functions to third-party providers. We may continue to do so in the future as we review the effectiveness of our organization. If we do not effectively select, develop, implement and monitor our outsourcing relationships, or if we experience technological or other issues with transition, or if third-party providers do not perform as anticipated, we may not realize productivity improvements or cost efficiencies and may experience operational difficulties, increased costs (including litigation costs), and a loss of business that may have an adverse effect upon on our operations or financial condition.

We periodically negotiate amendments and renewals of such relationships, and there can be no assurance that such terms will remain acceptable to us or such third parties. If such third-party providers experience disruptions or do not perform as anticipated, or we experience problems with a transition to a third-party provider, we may experience operational difficulties, an inability to meet obligations (including, but not limited to, policyholder obligations), a loss of business, litigation, and increased costs, or suffer other negative consequences, all of which may have a material adverse effect on our business and results of operations.

Our outsourcing of certain technology and business process functions to third parties may expose us to enhanced risk related to data security, which could result in adverse monetary, reputational and/or regulatory consequences, which in turn could have an adverse effect on our operations or financial condition. If we do not effectively monitor these relationships, third party providers do not perform as anticipated, technological or other problems occur with an outsourcing relationship we may not realize expected productivity improvements or cost efficiencies and may experience operational difficulties. In addition, our ability to receive services from third-party providers based in different countries might be impacted by political instability, unanticipated regulatory requirements or policies inside or outside of the U.S. As a result, our ability to conduct our business might be adversely affected.

<u>Financial Risks</u>

The performance of our investment portfolio is subject to a variety of risks, including market risk, credit risk, investment risk and liquidity risk. Market risk is the risk of loss or adverse change in our financial position due to fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments. This risk may be caused by fluctuations in interest rates, foreign exchange rates or equity, property and securities values.

Credit risk is the risk of loss or adverse change in our financial position due to fluctuations in the credit standing of issuers of securities, counterparties or any other debtors, including risk of loss arising from an insurer’s inability to collect funds from debtors.

Investment risk is the uncertainty associated with making an investment that may not yield the expected returns or performance, including the risk that an investment will decline in value, result in a loss or result in liability or other adverse consequences for the investor.

Liquidity risk is the risk of loss or our inability to realize investments and other assets in order to meet our financial obligations when they fall due or the inability to meet such obligations except at excessive cost.

A prolonged recession or a period of significant turmoil in the U.S. and international financial markets, could adversely affect our business, liquidity and financial condition and our share price.

U.S. and international financial market disruptions such as the ones experienced in the last global financial crisis and the volatility experienced as a result of the COVID-19 pandemic, along with the possibility of a prolonged recession, may potentially affect various aspects of our business, including the demand for and claims made under our products, our counterparty credit risk and the ability of our customers, counterparties and others to establish or maintain their relationships with us, our ability to access and efficiently use internal and external capital resources and our investment performance. Volatility in the U.S. and other securities markets may also adversely affect our share price. Depending on future market conditions, we could incur substantial realized and unrealized losses in future periods, which may have an adverse impact on our results of operations, financial condition, debt and financial strength ratings, insurance subsidiaries' capital levels and our ability to access capital markets.

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

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

Additionally, our operating results are affected, in part, by the performance of our investment portfolio. Our investment portfolio may be adversely affected by inflation or changes in interest rates. Such adverse effects include the potential for realized and unrealized losses in a rising interest rate environment or the loss of income in an environment of prolonged low interest rates. Such effects may be further impacted by decisions made regarding such things as portfolio composition and duration given the prevailing market environment. Although we attempt to take measures to manage the risks of investing in changing interest rate environments, we may not be able to mitigate interest rate sensitivity effectively. Fluctuation in interest rates could have a material adverse effect on our business, results of operations and/or financial condition.

Our investment portfolio is subject to significant market and credit risks which could result in an adverse impact on our financial position or results.

Although our investment policies stress diversification of risks, conservation of principal and liquidity, our investments are subject to general economic conditions and market risks as well as risks inherent to particular securities.

For example, to the extent there is an economic downturn affecting a certain area in which our investment portfolio is concentrated, the risk that certain investments may default or become impaired would increase. Such defaults and impairments could reduce our net investment income and result in realized investment losses. Our investment portfolio is also subject to increased valuation uncertainties when investment markets are illiquid. The valuation of investments is more subjective when markets are illiquid, increasing the risk that the fair value of certain of our investments may not be readily determinable.

Our investments in fixed maturity and short-term securities may be adversely affected by changes in inflation and/or interest rates which, in turn, may adversely affect operating results. The fair value and investment income of these assets fluctuate with general economic and market conditions. Generally, the fair value of fixed maturity securities will decrease as interest rates increase. Some fixed maturity securities have call or prepayment options, which represent possible reinvestment risk in declining rate environments. Other fixed maturity securities such as mortgage-backed and asset-backed securities carry prepayment risk.

We also invest in marketable equity securities. These securities are carried on our balance sheet at fair value and are subject to potential losses and declines in market value. Our invested assets also include investments in limited partnerships, privately held securities and other alternative investments. Such investments entail substantial risks.

Risks for all types of securities are managed through application of the investment policy, which establishes investment parameters that include, but are not limited to, maximum percentages of investment in certain types of securities, minimum levels of credit quality and option-adjusted duration guidelines. There is no guarantee of policy effectiveness.

In addition, there can be no assurance that our investment objectives will be achieved, and results may vary substantially over time. Although we seek investment strategies that are correlated with our insurance and reinsurance exposures, losses in our investment portfolio may occur at the same time as underwriting losses and, therefore, exacerbate such losses' adverse effect on us. See "Item 1. Business—Investments."

We may be adversely affected by foreign currency fluctuations.

Although our foreign subsidiaries' functional currency is the U.S. Dollar, with the exception of our Maltese and Italian subsidiaries whose functional currencies are the Euro, certain premium receivables and loss reserves include business denominated in currencies other than U.S. Dollars. We are exposed to the possibility of significant claims in currencies other than U.S. Dollars. We may experience losses in the form of increased claims costs or devaluation of assets available for paying claims resulting from fluctuations in these non-U.S. currencies, which could materially and adversely affect our operating results.

We face a risk of non-availability of reinsurance, which could materially and adversely affect our business, results of operations and/or financial condition.

We purchase reinsurance for our own account in order to mitigate the effect of certain large and multiple losses upon our financial condition. As is common practice within the insurance industry, we transfer a portion of the risks insured under our policies to other companies through the purchase of reinsurance or other, similar risk-mitigating hedging instruments. This reinsurance is maintained to protect the insurance and reinsurance subsidiaries against the severity of losses on individual claims, unusually serious occurrences in which a number of claims produce an aggregate extraordinary loss and catastrophic events. Although reinsurance does not discharge our subsidiaries from their primary obligation to pay for losses insured under the policies they issue, reinsurance does make the assuming reinsurer liable to the insurance and reinsurance subsidiaries for the reinsured portion of the risk.

Our reinsurers or capital market counterparts are dependent on their ratings in order to continue to write business and some have suffered downgrades in ratings in the past as a result of their exposures. Our reinsurers or capital market counterparties may also be affected by adverse developments in the financial markets, which could adversely affect their ability to meet their obligations to us. Insolvency of these counterparties, their inability to continue to write business or reluctance to make timely payments under the terms of their agreements with us could have a material adverse effect on us because we remain liable to our insureds or cedants in respect of the reinsured risks. Market conditions beyond our control may impact the availability, quality and cost of the reinsurance we purchase. No assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as is currently available

An impairment in the carrying value of goodwill and other intangible assets could negatively impact our consolidated results of operations and shareholders' equity.

Goodwill and other intangible assets are originally recorded at fair value. Goodwill and other intangible assets are reviewed for impairment at least annually or more frequently if indicators are present. Management, in evaluating the recoverability of such assets, relies on estimates and assumptions related to margin, growth rates, discount rates and other data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Goodwill and other intangible asset impairment charges can result from declines in operating results, divestitures or sustained market capitalization declines and other factors. As part of an ongoing strategic review and recent operating results, an impairment of intangible assets of $43.2 million related to Argo Group's Syndicate 1200 business unit was recorded in the fourth quarter of 2021. Impairment charges could materially affect our financial results in the period in which they are recognized.

The determination of the estimate of allowances and impairments taken on our investments is highly subjective and could materially impact our operating results or financial position.

We perform a detailed analysis each reporting period end to assess declines in the fair values of available for sale debt securities in accordance with applicable accounting guidance regarding the recognition and presentation of current expected losses. The process of determining an allowance for available for sale securities requires judgment and involves analyzing many factors. Assessing the accuracy of the allowances reflected, in our financial statements is inherently uncertain given the subjective nature of the process. Furthermore, additional impairments may need to be taken or allowances provided in the future with respect to events that may impact specific investments. Future material impairments or any error in accurately accounting for such impairments may have a material adverse effect on our financial condition or results of operations.

Our financial condition and operating results may be adversely affected by the failure of one or more reinsurers or capital market counterparties to meet their payment obligations to us.

We are subject to credit risk with respect to our ability to recover amounts due from reinsurers to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under the reinsurance contracts. The collectability of reinsurance is subject to the solvency of the reinsurers, interpretation and application of contract language and other factors. Despite strong ratings, the financial condition of a reinsurer may change based on market conditions. In certain instances we also require assets in trust, letters of credit or other acceptable collateral to support balances due, however, there is no certainty that we can collect on these collateral agreements in the event of a reinsurers default. It is not always standard business practice to require security for balances due; therefore, certain balances are not collateralized. A reinsurer's insolvency or inability to make payments under the terms of a reinsurance contract could have a material adverse effect on our business, results of operations and/or financial condition.

We may be adversely affected by the banking industry transition away from LIBOR.

In July 2017, the U.K. Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that the FCA will no longer require banks to submit rates for the calculation of LIBOR after 2021. However, for U.S. dollar-denominated (USD) LIBOR, only one-week and two-month USD LIBOR will cease to be published after 2021, and all remaining USD LIBOR tenors will continue being published until June 2023. Further, in early 2021, the U.S. Federal Reserve Board and other regulatory bodies issued guidance encouraging banks and other financial market participants to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event no later than December 31, 2021. In the U.S., efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate ("SOFR") as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018.

We recognize that we have some risk exposure to the LIBOR transition within our investment portfolio and corporate debt structures. Having completed a structured evaluation, we believe our exposure to be minimal. We strive to ensure that floating rate debt acquired since the transition was announced provide for LIBOR succession language, and that alternative rates are adopted in contracts when they are negotiated. Despite these measures, there remains the possibility that certain instruments and contracts without these provisions could be adversely impacted from this transition. However, there exists the possibility for legislative action to mandate a particular interest rate index in replacement of LIBOR for contracts without such succession language.

Strategic Risks

Strategic risk means the risk of our inability to implement appropriate business plans and strategies, make decisions, allocate resources or adapt to changes in the business environment. Strategic risk includes the risk of the current or prospective adverse impact on earnings or capital arising from business decisions, improper execution of decisions or lack of responsiveness to industry changes.

Uncertain conditions in the global economy may adversely affect our business, results of operations and financial condition.

Economic imbalances and financial market turmoil affecting the global banking system and global financial markets could result in a new or incremental tightening in the credit markets, low liquidity, extreme volatility in fixed maturity, credit, currency, and equity markets and volatility in share prices. Major public health issues, such as the COVID-19 pandemic or other similarly disruptive event, could harm our operations and have a major impact on the global economy and financial markets. These circumstances could lead to a decline in asset value and potentially reduce the demand for insurance due to limited economic growth prospects. These circumstances could adversely impact our ability to obtain financing. Even if financing is available, it may only be available on terms that are not favorable to us, which could decrease our profitability. Global and local economic conditions could also increase the number and size of claims made under our policies, our counter-party credit risk, and the ability of our counterparties to establish or maintain their relationships with us.

Net investment income and net realized and unrealized gains or losses also could vary materially depending on market conditions; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; inflation; cash balances; and changes in the fair value of financial and derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk that the actual amounts realized in the future on our financial instruments could differ significantly from the fair values assigned to them.

Adverse developments in the broader global economy could create significant challenges to the insurance industry. If policy responses in Europe, the U.S. and other jurisdictions are not effective in mitigating these conditions, the insurance sector could be adversely affected by the resulting financial and economic environment. The ultimate impact of such conditions on the insurance industry in general, and on our operations in particular, however, cannot be fully or accurately quantified at this time.

We may incur significant additional indebtedness which may adversely impact our results of operations and financial condition, including our access to capital and liquidity.

We may seek to incur additional indebtedness either through the issuance of public or private debt or through bank or other financing. The funds raised by the incurrence of such additional indebtedness may be used to repay existing indebtedness, including amounts borrowed under our credit facility, outstanding subordinated debt and floating rate loan stock or for our general corporate purposes, including additions to working capital, capital expenditures, investments in subsidiaries or acquisitions.

This additional indebtedness, particularly if not used to repay existing indebtedness, could limit our financial and operating flexibility, including as a result of the need to dedicate a greater portion of our cash flows from operations to interest and principal payments. It may also be more difficult for us to obtain additional financing on favorable terms, if at all, limiting our ability to capitalize on significant business opportunities and making us more vulnerable to economic downturns.

We may enter into future private debt arrangements containing restrictive business and financial covenants and complying with these covenants could limit our financial and operational flexibility. Our failure to comply with these covenants could also result in an increased cost of borrowing under the applicable agreement or an event of default under the credit facilities, which could result in us being required to repay any amounts outstanding under the credit facilities or debt arrangement prior to maturity. Such an event could have an adverse effect on our results of operations and financial condition, including our access to capital and liquidity. Our credit facilities and our outstanding notes are described in more detail in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully, deploy capital into more profitable business lines, identify acquisition opportunities, manage investments and preserve capital in volatile markets, and establish premium rates and reserves at levels sufficient to cover losses. To the extent our funds are insufficient to fund future operating requirements or cover claims losses, we may need to raise additional funds through corporate finance transactions or curtail our growth and reduce our liabilities. Any such financing, if available at all, may be on terms that are not favorable to us. Our ability to raise such capital successfully would depend upon the facts and circumstances at the time, including our financial position and operating results, market conditions and applicable regulatory filings and legal issues. If we cannot obtain adequate capital on favorable terms, or obtain it at all, our business, financial condition and operating results could be adversely affected.

Our holding company structure and certain regulatory and other constraints affect our ability to pay dividends and make other payments.

Argo Group is a holding company and conducts substantially all of its operations through its subsidiaries. Argo Group's only significant assets are the capital stock of its subsidiaries. Because substantially all of our operations are conducted through our insurance subsidiaries, substantially all of our consolidated assets are held by our subsidiaries and most of our cash flow, and consequently, our ability to meet our ongoing cash requirements, including any debt service payments or other expenses, and the ability to pay dividends to our shareholders, is dependent on the earnings of those subsidiaries and the transfer of funds by those subsidiaries to us in the form of distributions or loans.

In addition, if we fail to comply, or if and to the extent payment of dividend would cause us to fail to comply, with applicable laws, rules and regulations (including any applicable capital adequacy guidelines established by the BMA) we may not declare, pay or set aside for payment dividends. As a result, if payment of dividends would cause us to fail to comply with any applicable law, rule or regulation, we will not declare or pay a dividend, including dividends on our Preference Shares for such dividend period. In addition, the ability of our insurance subsidiaries to make distributions to us is limited by applicable insurance laws and regulations. These laws and regulations and the determinations by the regulators implementing them may significantly restrict such distributions, and, as a result, adversely affect our overall liquidity. The ability of our subsidiaries to make distributions to us may also be restricted by, among other things, other applicable laws and regulations and the terms of our bank loans and our subsidiaries' bank loans. Refer to *"Legal, Regulatory and Litigation Risks – Our insurance subsidiaries are subject to risk-based capital and solvency requirements in their respective regulatory domiciles and any failure to comply with these requirements may have a material adverse effect on our business"* below and also "Item 1. Business—Regulation," for additional details on restrictions on our ability to make distributions.

Any ratings downgrades could result in an adverse effect on our business, financial condition and operating results.

Ratings with respect to claims paying ability and financial strength are important factors in establishing the competitive position of insurance companies and will also impact the cost and availability of capital to an insurance company. Ratings by A.M. Best and S&P represent an important consideration in maintaining customer confidence in us and in our ability to market insurance products. Rating organizations regularly analyze the financial performance and condition of insurers.

A.M. Best is a widely recognized insurance company rating agency and some policyholders are required to obtain insurance coverage from insurance companies that have an "A-" (Excellent) rating or higher from A.M. Best. In addition, certain of our credit facilities require that all significant insurance subsidiaries of Argo US maintain an AM Best Financial Strength Rating of at least "B++". FSR reflect the rating agency's assessment of an insurer's ability to meet its financial obligations to policyholders. On February 26, 2020, A.M. Best downgraded the Company's insurance subsidiaries FSR from "A" (Excellent) to "A-" (Excellent) and the ICR to "a-" from "a" of Argo Re and its insurance subsidiaries. The outlook assigned to all these ratings by A.M. Best was negative. On March 12, 2021, A.M. Best affirmed the Company's FSR of "A-" (Excellent), and changed outlook assigned to all these ratings from negative to stable. See "Item 1. Business-Ratings" for a detailed description of our ratings.

Our ability to refinance our existing debt or obtain new debt in the capital markets is impacted by any credit ratings. Any credit rating downgrade would result in higher borrowing costs. Additionally, many producers are prohibited from placing insurance with companies that are rated below "A-" (Excellent). We may also be required to maintain a greater amount of capital in order to maintain our existing ratings or become subject to a ratings downgrade if we experience weaker than-expected underwriting performance, our capital adequacy position decline for a prolonged period, our financial leverage materially increases or our liquidity materially decrease, among other factors.

A.M. Best and S&P continually monitor their ratings and may revise or withdraw their ratings at any time. Any future downgrade in our ratings could impair our ability to sell insurance policies and materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.

Our use of strategic transactions to further our growth strategy may not succeed, which may result in underperformance relative to our expectations and have a material adverse effect on our business, financial condition or results of operations.

Our strategy for growth may include mergers and acquisitions, as well as divestitures. This strategy presents risks that could have a material adverse effect on our business, financial performance and results of operations, including: (1) the diversion of management's attention, (2) our ability to execute a transaction effectively, including the integration of operations and the retention of employees, (3) our ability to retain key employees, (4) the contingent and latent risks associated with the past operations of and other unanticipated problems arising from an acquisition partner, and (5) the uncertainty of retained financial obligations associated with divested business or run-off.

Our future acquisitions could involve a number of additional risks that we may not be able to identify during the due diligence process, such as potential losses from unanticipated litigation, levels of covered claims or other liabilities and exposures, an inability to generate sufficient investment income and other revenue to offset acquisition costs and financial exposures in the event that sellers breach their representations and warranties and/or are unable or unwilling to meet their indemnification, reinsurance and other contractual obligations to us. We cannot predict whether we will be able to identify and complete a future transaction on terms favorable to us. We cannot know if we will realize the anticipated benefits of a completed transaction or if there will be substantial unanticipated costs associated with such a transaction. In addition, strategic transactions may expose us to increased litigation risks. A future merger or acquisition may result in tax consequences at either or both the shareholder and Argo Group level, potentially dilutive issuances of our equity securities, the incurrence of additional debt and the recognition of potential impairment of goodwill and other intangible assets. Each of these factors could adversely affect our financial position.

We have recently divested or placed in run-off several business lines. In connection with these actions, we have retained certain financial liabilities and contractual obligations related to these divested or discontinued business lines. We have quantified our exposures and an expectation that these exposures will decrease over time. There is no assurance, however, that prior to that time the amount of these obligations will not increase by an amount greater than we expect or that the process of ending these business lines will not take longer than we expect. The impact of such an increase could cause our exposure to be greater than expected. If the actual time periods and cost values are greater than the amounts we expect, our profitability could be adversely affected.

Our business strategy involves focusing on expense targets and generally reducing our expense ratio. We may be unable to execute on our expense targets. Strategic acquisitions and growth may not reduce our expense ratio, while strategic divestitures may not reduce overall expenses as much as we anticipate prior to any sale.

The United Kingdom's exit from the European Union may cause volatility in foreign exchange rates and regulatory uncertainty that may adversely impact our business.

In June 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit." The U.K. formally exited the E.U. on January 31, 2020, pursuant to a withdrawal agreement between the U.K. government and the E.U. On December 24, 2020, the U.K. and the E.U. announced that they had struck a new bilateral trade and cooperation deal governing the future relationship between the U.K. and the E.U. (the "E.U.-U.K. Trade and Cooperation Agreement") which took effect from January 1, 2021. The E.U.-U.K. Trade and Cooperation Agreement contains limited provisions on financial services, leaving trade to be managed through mutual unilateral equivalence decisions. A Memorandum of Understanding on regulatory cooperation was entered into by the U.K. and the E.U. in March 2021. As of December 31, 2021, the U.K. had granted the E.U. 27 permanent equivalence decisions that provide E.U. nations access to the U.K. financial markets. The E.U has yet to make equivalence decisions for the U.K. As a result, U.K. firms' access to the E.U. markets depend on the rules each member state applies to third country businesses.

Brexit may continue to cause regulatory and foreign exchange rate uncertainty with respect to Argo Syndicate 1200. The Corporation of Lloyd's has acted on behalf of the market as a whole in establishing Lloyd's Insurance Company S.A., an insurance company operation in Belgium regulated by the National Bank of Belgium. Argo Syndicate 1200 has chosen to utilize this platform to maintain continuity of operations for their E.U.-domiciled clients.

Reputational Risks

Reputational risk is the risk of potential loss through a deterioration of our reputation or standing due to a negative perception of our image among customers, counterparties, shareholders or supervisory authorities, and includes risk of adverse publicity regarding our business practices and associations. While we assess the reputational impact of all reasonably foreseeable material risks within our risk management processes, we also recognize a number of specific reputational risks.

We are subject to laws and regulations relating to sanctions, anti-corruption and money laundering, the violation of which could adversely affect our operations.

Our activities are subject to applicable economic and trade sanctions, money laundering regulations, and anti-corruption laws in the jurisdictions where we operate, including Bermuda, the U.K. and the European Community and the U.S., among others. For example, we are subject to The Bribery Act, 2016 of Bermuda, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, which, among other matters, generally prohibit corrupt payments or unreasonable gifts to foreign governments or officials. New sanction regimes may be initiated, or existing sanctions expanded, at any time, which can impact our business activities. We believe we maintain strong oversight and control through the deployment of our Code of Conduct and Business Ethics and associated policies and procedures including the Company's whistleblower policies and continuous education and training programs. However, although we have in place systems and controls designed to ensure compliance with applicable laws and regulations, there is a risk that those systems and controls will not always be effective to achieve full compliance. It is also possible that an employee or intermediary could fail to comply with applicable laws and regulations. Failure to accurately interpret or comply with or obtain appropriate authorizations and/or exemptions under such laws or regulations could subject us to investigations, criminal sanctions or civil remedies, including fines, injunctions, loss of an operating license and other sanctions, all of which could damage our business or reputation, and have a material adverse effect on our financial condition and results of operations.

Actions of activist shareholders could impact the pursuit of our business strategies and adversely affect our results of operations, financial condition and/or share price.

While we value constructive input from investors and regularly engage in dialogue with our shareholders, and we welcome their views and opinions regarding strategy and performance, we may be subject to actions or proposals from activist shareholders that may not align with our business strategies or the interests of our other shareholders, and our Board and management team are committed to acting in the best interests of all of our shareholders. Accordingly, there is no assurance that the actions taken by the Board and management in seeking to maintain constructive engagement with certain shareholders will be successful in preventing the occurrence of shareholder activist campaigns.

Campaigns by activist shareholders to effect changes at publicly traded companies often demand that companies undertake or pursue financial restructuring, increase debt, issue special dividends, repurchase shares, or undertake sales of assets or other transactions, including strategic transactions. Campaigns may also be initiated by activist shareholders advocating for particular environmental or social causes. Activist shareholders who disagree with the composition of a publicly traded company's board of directors, or with its strategy and/or management often seek to involve themselves in the governance and strategic direction of a company through various activities that range from private engagement to publicity campaigns, proxy contests, efforts to force transactions not supported by the company's board, and in some instances, litigation.

We have been and may in the future be subject to activities initiated by activist shareholders. After a prolonged discussion on matters concerning governance and operations issues, in December 2019, Argo Group entered into a Cooperation Agreement (the "Cooperation Agreement") with Voce Catalyst Partners LP, Voce Capital Management LLC, Voce Capital LLC and Voce Catalyst Partners New York LLC (collectively, "Voce"). Pursuant to the Cooperation Agreement, Voce terminated its solicitation of consents to authorize the requisition of a special general meeting of shareholders of the Company, among other items.

In addition, on February 28, 2022, Capital Returns Master, Ltd. ("Capital Returns") notified the Company that it intends to nominate a slate of two nominees to stand for election as directors at the 2022 Annual General Meeting of Shareholders (the "2022 Annual General Meeting") in opposition to two of the nominees to be recommended by our Board of Directors. On March 11, 2022, Capital Returns filed with the SEC a preliminary proxy statement in connection with the 2022 Annual General Meeting soliciting proxies to elect its two nominees in opposition to the Company's director candidates, other than two, unspecified incumbent directors.

Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, and could divert the attention of our Board, management team and employees from the management of our operations and the pursuit of our business strategies. Further, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. Perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist shareholder initiatives may result in the loss of potential business opportunities and make it more difficult to attract and retain investors, customers, employees, and other business partners. Also, we could be required to incur significant expenses related to any activist shareholder matters (included but not limited to legal fees, fees for financial advisors, fees for public relation advisors and proxy solicitation expenses). As a result, activist shareholder campaigns could adversely affect our business, results of operations, financial condition and/or share price.

Even if we are successful in any proxy contest or in defending against any unsolicited takeover attempt, our business could be adversely affected by any such proxy contest or unsolicited takeover attempt because:

- responding to proxy contests and other actions by activist shareholders can be costly (resulting in significant professional fees and proxy solicitation expenses) and time-consuming, disrupting operations and diverting the attention of our board of directors, management team and employees;
- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or other strategic opportunities, and may make it more difficult to attract and retain qualified personnel and business partners;
- if individuals are elected or appointed to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our shareholders; and
- if individuals are elected or appointed to our board of directors who do not agree with our strategic plan, the ability of our board of directors to function effectively could be adversely affected, which could in turn adversely affect our business, operating results and financial condition.

We cannot predict, and no assurances can be given, as to the outcome or timing of any matters relating to the foregoing actions by shareholders and our responses thereto or the ultimate impact on our business, liquidity, financial condition or results of operations, and any of these matters or any further actions by shareholders and our responses thereto may impact and result in volatility or stagnation of our share price.

Any failure to meet investor and stakeholder expectations regarding environmental, social and corporate governance ("ESG") matters may damage our reputation.

There is an increasing focus from certain investors, customers, consumers, employees and other stakeholders concerning ESG matters. Additionally, public interest and legislative pressure related to public companies' ESG practices continue to grow. If our ESG practices fail to meet stakeholders' evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship, climate risk management, Board of Director and employee diversity, human capital management, corporate governance and transparency, our reputation, brand and employee retention may be negatively impacted. Additionally, investors may reconsider their capital investment in our Company, and customers and partners may choose to stop doing business with us, which could have a material adverse effect on our reputation, business or financial condition.

<u>Legal, Regulatory and Litigation Risks</u>

The regulation and regulatory measures that would apply to Argo Group and its subsidiaries are discussed above under "Item 1. Business—Regulation".

Legal and Regulatory Risk means the risk arising from our (1) failure to comply with statutory or regulatory obligations; (2) failure to comply with our Bye-Laws; or (3) failure to comply with any contractual agreement.

Litigation Risk means the risk that acts or omissions or other business activity of Argo Group and our key functionaries and employees could result in legal proceedings to which we are a party, the uncertainty surrounding the outcome of such legal proceedings and the risk of an adverse impact on us resulting from such legal proceedings.

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

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

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

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

Failure to comply with the capital requirement laws and regulations in any of the jurisdictions where we operate, including the U.S., the E.U., the U.K. or Bermuda could result in administrative penalties imposed by a particular governmental or self-regulatory authority, unanticipated costs associated with remedying such failure or other claims, harm to our reputation, or interruption of our operations, any of which could have a material and adverse impact on our business, financial position, results of operations, liquidity and cash flows. See "Item 1. Business--Regulation."

Restrictions on Dividends and Distributions

Argo Re is prohibited from declaring or paying any dividends or making a distribution out of contributed surplus to Argo Group during any financial year if there are reasonable grounds for believing that (1) Argo Re is, or would after the payment be, unable to pay its liabilities as they become due or (2) the realizable value of its assets would thereby be less than its liabilities. Further, as a Class 4 insurer, Argo Re is prohibited from declaring or paying any dividends or making a distribution out of contributed surplus during any financial year if it is in breach of its ECR, general business solvency margin or minimum liquidity ratio or if the declaration or payment of such dividends would cause such a breach. If it has failed to meet its minimum margin of solvency or minimum liquidity ratio on the last day of any financial year, Argo Re will be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. In addition, Argo Re is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet the required margins.

As discussed above under “Item 1. Business―Regulation”, Argo Group and its various subsidiaries are considered to be an affiliated group for purposes of the BMA’s Group Supervision regime. This Group Supervision regime stipulates solvency margins, capital requirements and eligible capital requirements at the consolidated Argo Group level that may affect the calculation of similar solvency and capital requirements at the Argo Re level. The methodology for applying these solvency and capital requirements, particularly in regard to the eligibility, and classification of certain capital instruments within an affiliated group, is subject to ongoing refinement and interpretation by the BMA. The applicable rules and regulations for this regime, and the manner in which they will be applied to Argo Group, are subject to change, and it is not possible to predict the ultimate impact of future changes on Argo Group’s operations and financial condition.

The outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation related to our business operations, and changes in the legal environment, may have a material adverse effect on our results of operations and financial condition.

We are involved in legal and regulatory proceedings, investigations, inquiries, claims and litigation in connection with our business operations. Due to the inherent uncertainty of the outcomes of such matters, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations or financial condition. If one or more of such matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods that we would be required to pay such liability.

Significant changes in the legal environment could cause our ultimate liabilities to change from our current expectations. Such changes could be judicial in nature, like trends in the size of jury awards, developments in the law relating to tort liability or the liability of insurers, and rulings concerning the scope of insurance coverage or the amount or types of damages covered by insurance. In addition, changes in federal or state laws and regulations relating to the liability of insurers or policyholders, including state laws expanding “bad faith” liability and state “reviver” statutes, extending statutes of limitations for certain abuse claims, could result in changes in business practices, additional litigation, or could result in unexpected losses, including increased frequency and severity of claims. It is impossible to forecast such changes reliably, much less to predict how they might affect our loss reserves or how those changes might adversely affect our ability to price our insurance products appropriately. Thus, significant judicial or legislative developments could adversely affect our business, financial condition, results of operations and liquidity.

Regulatory constraints may restrict our ability to operate our business, and adversely impact our business operations and results of operations.

Argo Group’s ownership of U.S. subsidiaries can, under applicable state insurance company laws and regulations, delay or impede a change of control of Argo Group. Under applicable insurance regulations, any proposed purchase of 10% or more of Argo Group’s voting securities would require the prior approval of the relevant insurance regulatory authorities. See “Description of Share Capital—Restrictions on Ownership Under Insurance Laws.”

Our insurance subsidiaries and insurance-related services subsidiaries may not be able to obtain or maintain necessary licenses, permits or authorizations, or may be able to do so only at significant cost. In addition, we may not be able to comply with, or obtain appropriate exemptions from the wide variety of laws and regulations applicable to insurance companies or insurance-related services companies or holding companies. Failure to comply with or to obtain appropriate authorizations and/or exemptions under any applicable laws could result in restrictions on our ability to do business or certain activities that are regulated in one or more of the jurisdictions and could subject us to fines and other sanctions, which could have a material adverse effect on our business.

Bermuda Subsidiaries

Argo Group is supervised by the BMA as an Insurance Group. In addition, Argo Re is registered as a Class 4 Bermuda insurance company, and Argo Insurance Services Bermuda, Ltd. is licensed by the BMA pursuant to Section 10 of the Insurance Act as an Insurance Agent. As such, Argo Group and its Bermuda subsidiaries are subject to specific laws, rules and regulations promulgated by the Bermudian authorities according to the Insurance Act. Changes in Bermuda’s statutes, regulations and policies could result in restrictions on our ability to pursue our business plans, strategic objectives, execute our investment strategy and fulfill other shareholders’ obligations.

U.S. Subsidiaries

Our U.S. insurance subsidiaries are subject to regulation, which may reduce our profitability or inhibit our growth. If we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations. Changes in the level of regulation of the insurance industry or changes in laws or regulations themselves or interpretations by regulatory authorities could adversely affect our ability to pursue our business plan and operate our U.S. insurance subsidiaries.

From time to time, various laws and regulations are proposed for application to the U.S. insurance industry, some of which could adversely affect the results of reinsurers and insurers. Additionally, the NAIC has been responsible for establishing certain regulatory and corporate governance requirements, which are intended to result in a group-wide supervision focus and include the Model Insurance Holding Company System Regulatory Act and the Insurance Holding Company System Model Regulation, the Requirements for ERM Report within the Annual Holding Company Registration (i.e., Form F), the Supervisory College, the Risk Management and ORSA Model, the CGAD and the Revisions to Annual Financial Reporting Model Regulation to expand the corporate audit function to provide reasonable assurance of the effectiveness of enterprise risk management, internal controls, and corporate governance. We are unable to predict the potential effect, if any, such legislative or regulatory developments may have on our future operations or financial condition.

In addition, regulatory authorities have relatively broad discretion to deny, suspend or revoke licenses for various reasons, including the violation of regulations. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities may preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business.

U.K. Prudential Regulation Authority, Financial Conduct Authority Regulations and Lloyd's Supervision

Since 2014 the regulatory supervision of Argo Managing Agency Limited, the managing agent of S1200 has been performed by PRA and the FCA. The operations of S1200 also continue to be supervised by Lloyd's. Future regulatory changes or rulings by the PRA and/or FCA as well as the supervision of Lloyd's could interfere with the business strategy or financial assumptions of the Syndicate, possibly resulting in an adverse effect on the financial condition and operating results of the Syndicate.

Other Applicable Laws

Lloyd's insurance business is subject to various regulations, laws, treaties and other applicable policies of the E.U., as well as those of each nation, state and locality in which Lloyd's operates. These nations include the United Arab Emirates. Material changes in governmental requirements and laws could have an adverse effect on Lloyd's and its member companies, including S1200.

Some aspects of our corporate structure and applicable insurance regulations may discourage or impede the sale of the Company, tender offers or other mechanisms of control.

Certain provisions of our corporate governance documents may have the effect of making it more difficult or discouraging unsolicited takeover bids from third parties. To the extent that these effects occur, shareholders could be deprived of opportunities to realize takeover premiums for their shares and the market price of their shares could be depressed. In addition, these provisions could also result in the entrenchment of incumbent management and Board members.

Voting Restrictions

In the event that we become aware of a U.S. person (that owns our shares directly or indirectly through non-U.S. entities) owning more than the permitted 9.5% level of voting power of our outstanding shares after a transfer of shares has been registered, our Bye-Laws provide that, subject to certain exceptions and waiver procedures, the voting rights with respect to our shares owned by any such shareholder will be limited to the permitted level of voting power, subject only to the further limitation that no other shareholder allocated any such voting rights may exceed the permitted level of voting power as a result of such limitation. We also have the authority under our Bye-Laws to request information from any shareholder for the purpose of determining whether a shareholder's voting rights are to be reallocated under the Bye-Laws. If a shareholder fails to respond to such a request for information or submits incomplete or inaccurate information in response to such a request, we may, at our sole discretion, eliminate such shareholder's voting rights.

Transfer Restrictions.

Our Bye-Laws generally permit transfers of our common shares unless the Board determines a transfer may result in a non-de minimus adverse tax, legal or regulatory consequence to us, any of our subsidiaries or any direct or indirect shareholder of Argo Group or its affiliates. We may refuse to register on our share transfer records, any transfer that does not comply with these share transfer restrictions. A transferee will be permitted to promptly dispose of any of our shares purchased that violate the restrictions and as to the transfer of which registration is refused.

Change of Control Restrictions

Because a person who acquires control of Argo Group would thereby acquire indirect control of the same percentage of the stock in its insurance company subsidiaries, change of control provisions in the laws and other rules applicable to our insurance subsidiaries in various jurisdictions would apply to such a transaction. Such change of control provisions generally apply to transactions involving the acquisition of direct or indirect control over 10% or more of our outstanding shares. No assurance can be given that an applicable regulatory body would approve of any future change of control. These change of control provisions may discourage potential acquisition proposals and may delay, deter or prevent a change of control of Argo Group, including transactions that some or all of our shareholders might consider to be desirable.

We are a Bermuda company and it may be difficult for you to enforce judgments against us and/or our directors and executive officers.

We are organized under the laws of Bermuda and headquartered in Bermuda. The Companies Act, and its subsequent amendments, which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. These differences include the manner in which directors must disclose transactions in which they have an interest, rights of shareholders to bring class action and derivative lawsuits, our right to enter into business transactions with shareholders without prior approval from shareholders, committee organization and scope of indemnification available to directors and officers.

Generally, the duties of directors and officers of a Bermuda company are owed to the company only. Shareholders of Bermuda companies typically do not have rights to take action against directors or officers of the company and may only do so in limited circumstances. Class actions are not available under Bermuda law. The circumstances in which derivative actions may be available under Bermuda law are substantially more prescribed and less clear than they would be to shareholders of U.S. corporations. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner that is oppressive or prejudicial to the interests of some shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company. In addition, under our Bye-Laws and as permitted by Bermuda law, each shareholder has waived any claim or right of action against our directors or officers for any action taken by directors or officers in the performance of their duties, except for actions involving fraud or dishonesty. In addition, the rights of holders of our common shares and the fiduciary responsibilities of our directors under Bermuda law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the U.S., particularly the State of Delaware. Therefore, holders of our common shares may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction within the U.S.

In addition, certain of our directors and officers reside outside the U.S. As such, it may be difficult for investors to effect service of process within the U.S. on our directors and officers who reside outside the U.S. or to enforce against us or our directors and officers, judgments of U.S. courts, predicated upon the civil liability provisions of the U.S. federal securities laws.

We have been advised that there is doubt as to whether:

- a holder of our common shares would be able to enforce, in the courts of Bermuda, judgments of U.S. courts against persons who reside in Bermuda based upon the civil liability provisions of the U.S. federal securities laws;
- a holder of our common shares would be able to enforce, in the courts of Bermuda, judgments of U.S. courts based upon the civil liability provisions of the U.S. federal securities laws; and
- a holder of our common shares would be able to bring an original action in the Bermuda courts to enforce liabilities against us or our directors or officers, as well as our independent accountants, who reside outside the U.S. based solely upon U.S. federal securities laws.

Further, we have been advised that there is no treaty in effect between the U.S. and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for our shareholders to recover against us based on such judgments.

Taxation Risks

U.S. Tax Risks Applicable to Argo Group

Our non-U.S. companies may be subject to U.S. federal income tax on their net income, which could have a material adverse effect on our financial condition and operating results.

Except with respect to certain of our non-U.S. subsidiaries organized in the U.K. that are Lloyd's corporate members ("Lloyd's Companies"), Argo Group and our non-U.S. subsidiaries that are treated as foreign corporations for U.S. federal income tax purposes (collectively, our "Non-U.S. Companies") have operated and currently intend to continue to operate in a manner that is intended not to cause them to be treated as engaged in a trade or business in the U.S. (or, in the case of our Non-U.S. Companies qualifying for the benefits of an applicable income tax treaty, in a manner that is intended not to cause them to be treated as having a permanent establishment in the U.S.). Therefore, we believe that our Non-U.S. Companies (other than the Lloyd's Companies) should not be subject to U.S. federal income tax on their net income. However, ongoing severe travel restrictions related to the COVID-19 pandemic continue to make it more difficult for us to operate as intended. In addition, the enactment of the BEAT (defined below), the reduction of the U.S. federal income tax rate applicable to corporations included in the Tax Act (defined below) and other factors may cause us to alter our intentions. Further, there is uncertainty as to the activities that constitute being engaged in a trade or business within the United States (or having a permanent establishment in the United States), and the U.S. Internal Revenue Service (the "IRS") may disagree with our intended position. If any such Non-U.S. Companies are considered to be engaged in a trade or business (or carrying on business through a permanent establishment) in the United States, they generally would be subject to U.S. federal income taxation on the portion of their net income treated as effectively connected with a U.S. trade or business (or their business profits attributable to a U.S. permanent establishment, as applicable), including a branch profits tax. Any such U.S. federal income taxation could result in substantial tax liabilities and consequently could have a material adverse effect on our financial condition and operating results.

The reinsurance agreements between our U.S. and non-U.S. subsidiaries may be subject to re-characterization or other adjustment for U.S. federal income tax purposes, which could have a material adverse effect on our financial condition and operating results.

Under Section 845 of the U.S. Internal Revenue Code of 1986, as amended, (the "Code"), the IRS may allocate income, deductions, assets, reserves, credits and any other items related to a reinsurance agreement among certain related parties to the reinsurance agreement, re-characterize such items or make any other adjustment in order to reflect the proper source, character or amount of the items for each party. Any such adjustment by the IRS to our reinsurance arrangements may result in an increase in our U.S. federal income tax liabilities, which could have a material adverse effect on our financial condition and operating results.

We may be subject to increased tax liabilities under the Base Erosion and Anti-Abuse Tax, which could have a material adverse effect on our financial condition and operating results.

The Tax Cuts and Jobs Act of 2017 (Public Law No: 115-97) (the "Tax Act") introduced a new tax called the Base Erosion and Anti-Abuse Tax (the "BEAT"). The BEAT operates as a minimum tax and is generally calculated as a percentage (10% for taxable years before 2026 and 12.5% thereafter) of the "modified taxable income" of an "applicable taxpayer." Modified taxable income is calculated by adding back to a taxpayer's regular taxable income the amount of certain "base erosion tax benefits" with respect to certain payments made to foreign affiliates of the taxpayer, as well as the "base erosion percentage" of any net operating loss deductions. The BEAT applies for a taxable year only to the extent it exceeds a taxpayer's regular corporate income tax liability for such year (determined without regard to certain tax credits).

Certain of our subsidiaries organized in the U.S. ("U.S. Subsidiaries") and our Lloyd's Companies are applicable taxpayers and make payments to foreign affiliates that produce base erosion tax benefits. As a result, they may be required to pay additional tax in one or more years by reason of the BEAT. Further, the application of the BEAT to our reinsurance arrangements involves various interpretations. If the IRS were to disagree with our BEAT calculations, we may be required to pay additional tax, interest and penalties.

Changes in U.S. tax law might adversely affect us or our shareholders.

The tax treatment of our Non-U.S. Companies and their U.S. and non-U.S. insurance subsidiaries may be the subject of further tax legislation. No prediction can be made as to whether any particular proposed legislation will be enacted or, if enacted, what the specific provisions or the effective date of any such legislation would be, or whether it would have any effect on us. As such, we cannot assure you that future legislative, administrative or judicial developments will not result in an increase in the amount of U.S. tax payable by us or by an investor in our equity securities. If any such developments occur, it could have a material and adverse effect on an investor or our business, financial condition, results of operations and cash flows.

U.S. persons who own our equity securities may be subject to U.S. federal income taxation at ordinary income rates on our undistributed earnings and profits.

For any taxable year in which a Non-U.S. Company is treated as a controlled foreign corporation ("CFC"), a "10% U.S. Shareholder" (as defined below) of such Non-U.S. Company that held our equity securities directly or indirectly through certain entities as of the last day in such taxable year that the company was a CFC would generally be required to (A) include in gross income as ordinary income its pro rata share of the company's insurance income and certain other investment income and (B) take into account its pro rata share of such company's "tested income" and certain other amounts in determining such 10% U.S. Shareholder's global intangible low-taxed income ("GILTI"), regardless of whether any amounts are actually distributed to such U.S. person. A "10% U.S. Shareholder" of an entity treated as a foreign corporation for U.S. federal income tax purposes is a U.S. person who owns (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total value of all classes of shares of the corporation or 10% or more of the total combined voting power of all classes of voting shares of the corporation. Any U.S. person that owns (or is treated as owning) 10% or more of the vote or value of our shares should consult with their tax advisor regarding their investment in Argo Group.

In general, a non-U.S. corporation is a CFC if 10% U.S. Shareholders, in the aggregate, own (directly, indirectly through non-U.S. entities or constructively) stock of the non-U.S. corporation possessing more than 50% of the voting power or value of such corporation's stock. However, this threshold is lowered to 25% for purposes of taking into account the insurance income of a non-U.S. corporation. Special rules apply for purposes of taking into account any related person insurance income ("RPII") of a non-U.S. corporation, as described below.

The Tax Act expanded the definition of "10% U.S. Shareholder" to include ownership by value (rather than just vote), so provisions in our bye-laws that generally limit the voting power of our common shares (and certain other of our voting securities) such that no person owns (or is treated as owning) more than 9.5% of the total voting power of our common shares (with certain exceptions) will no longer mitigate the potential risk of "10% U.S. Shareholder status".

Moreover, the Tax Act eliminated the prohibition on "downward attribution" from non-U.S. persons to U.S. persons under Section 958(b)(4) of the Code for purposes of determining constructive stock ownership under the CFC rules. As a result, our U.S. Subsidiaries are treated as constructively owning all of the stock of our Non-U.S. Companies, other than possibly Argo Group, Argo Re and Argo Financial Holding (Ireland) UC ("Argo Ireland"). Further, if Argo Group or Argo Re directly or indirectly own an interest in any U.S. entities treated as such for U.S. federal income tax purposes (other than through Argo Ireland), such U.S. entities may constructively own all of the stock of Argo Re and/or Argo Ireland. Accordingly, our Non-U.S. Companies (other than Argo Group, Argo Re and Argo Ireland) are currently treated as CFCs and Argo Group, Argo Re and Argo Ireland may be so treated. The legislative history under the Tax Act suggests that this change in law was not intended to cause a foreign corporation to be treated as a CFC with respect to a 10% U.S. Shareholder that is not related to the U.S. persons receiving such downward attribution. However, it is not clear whether the IRS or a court would interpret the change made by the Tax Act in a manner consistent with such indicated intent.

Because of the limitations in Argo Group's Bye-Laws referred to above, among other factors, we believe it is unlikely that any U.S. person that is treated as owning less than 10% of the total value of Argo Group would be a 10% U.S. Shareholder of any of the Non-U.S. Companies. However, because the relevant attribution rules are complex and there is no definitive legal authority on whether the voting provisions included in Argo Group's organizational documents are effective for purposes of the CFC provisions, there can be no assurance that this will be the case.

If Argo Group is classified as a passive foreign investment company, U.S. persons who own our equity securities could be subject to adverse U.S federal income tax consequences.

If Argo Group is considered a passive foreign investment company ("PFIC"), a U.S. person who directly or, in certain cases, indirectly owns our equity securities could be subject to adverse tax consequences, including a greater tax liability than might otherwise apply, an interest charge on certain taxes that are deemed deferred as a result of Argo Group's non-U.S. status and additional U.S. tax filing obligations, regardless of the number of shares owned. In general, Argo Group will be a PFIC during a taxable year if (1) 75% or more of its gross income constitutes passive income or (2) 50% or more of its assets produce, or are held for the production of, passive income ("passive assets"). For these purposes, passive income includes interest, dividends and other investment income, with certain exceptions, and certain look-through rules apply with respect to interests in subsidiaries. However, under an "active insurance" exception in the Code and applicable regulations, passive income does not include any income derived in the active conduct of an insurance business by a qualifying insurance corporation ("QIC") or any income of a qualifying domestic insurance corporation ("QDIC"), and passive assets do not include assets of a QIC available to satisfy liabilities of the QIC related to its insurance business, if the QIC is engaged in the active conduct of an insurance business, or assets of a QDIC.

We believe that Argo Group should not be, and currently do not expect Argo Group to become, a PFIC. This is based in part on the belief that the income and assets of certain of Argo Group's subsidiaries qualifies for the active insurance exception. The Tax Act modified certain provisions relating to PFIC status that makes it more difficult for a non-U.S. insurance company to qualify under the active insurance exception. We believe that we qualify for the exception as amended. However, we cannot assure you that the IRS will agree with this conclusion. The U.S. Treasury and the IRS issued finalized and proposed regulations that provide guidance on various aspects of the PFIC rules, including the amended exception. The final regulations are currently effective but the proposed regulations will not be effective unless and until they are adopted in final form. The proposed regulations provide that a QIC will qualify for the active insurance exception only if, among other things, the non-U.S. insurer satisfies either the "factual requirements test" or the "active conduct percentage test." The factual requirements test requires that the officers and employees of the QIC carry out substantial managerial and operational activities on a regular and continuous basis with respect to its core functions and that they perform virtually all of the active decision-making functions relevant to underwriting functions. The active conduct percentage test generally compares the expenses for services of officers and employees of the non-U.S. insurer and certain related entities incurred for the production of premium and certain investment income to all such expenses regardless of the service provider. Depending on which expenses are included in the active conduct percentage test, if we do not qualify for the "factual requirements test", there is risk that one or more of our Non-U.S. insurance companies would be considered a PFIC in one or more taxable years, in which case Argo Group may also be a PFIC in such taxable years. Further, the IRS has requested comments on several aspects of the proposed regulations. It is uncertain when the proposed regulations will be finalized, and whether the provisions of any final or temporary regulations will vary from the proposed regulations. As a result, we cannot assure you that will not be treated as a PFIC. If Argo Group is treated as a PFIC, the adverse tax consequences described above generally would apply with respect to a U.S. person's direct or indirect ownership interest in Argo Group and any PFICs in which Argo Group directly or, in certain cases, indirectly owns an interest.

U.S. persons who own our equity securities may be subject to adverse U.S. federal income tax consequences if we recognize RPII.

If any of our Non-U.S. Companies is treated as recognizing RPII in a taxable year and is also treated as a CFC for such taxable year, each U.S. person that owns our equity securities directly or indirectly through certain entities as of the last day in such taxable year must generally include in gross income its pro rata share of the RPII, determined as if the RPII were distributed proportionately only to all such U.S. persons, regardless of whether that income is distributed. For this purpose, a Non-U.S. Company generally will be treated as a CFC if U.S. persons in the aggregate are treated as owning (directly or indirectly through non-U.S. entities) 25% or more of the total voting power or value of such Non-U.S. Company's stock at any time during the taxable year. Further, RPII is generally defined as insurance income of a CFC that is attributable to a policy of insurance or reinsurance with respect to which the person (directly or indirectly) insured is a U.S. person who owns (directly or indirectly through non-U.S. entities) stock in the CFC or a related person to any such a U.S. person. Notwithstanding the foregoing, pursuant to a de minimis exception, the RPII rules will not apply with respect to a CFC for a taxable year if the amount of RPII for such year was less than 20% of the CFC's gross insurance income in such taxable year.

The amount of RPII earned by our Non-U.S Companies that are engaged in insurance activities (our "Non-U.S. Insurance Subsidiaries") will depend on a number of factors, including the identity of persons directly or indirectly insured or reinsured by them. We believe that the gross RPII of each Non-U.S. Insurance Subsidiary did not in prior years of operation, and expect that it will not in the foreseeable future, equal or exceed 20% of such subsidiary's gross insurance income. No assurance can be given that this was or will be the case because some of the factors that determine the existence or extent of RPII may be beyond our knowledge and/or control. Further, the U.S. Treasury and the IRS recently published proposed regulations that would, if finalized in their current form, substantially expand the definition of RPII such that it could be interpreted to include all the insurance income our Non-U.S. Insurance Subsidiaries earn from reinsuring affiliates. These regulations are proposed to apply to taxable years beginning after the date the regulations are finalized. We cannot predict whether, when or in what form the proposed regulations might be finalized. If finalized in their current form, the proposed regulations might result in one or more of our Non-U.S. Insurance Subsidiaries being considered to generate gross RPII in excess of 20% of such subsidiary's gross insurance income. In such event, we might decide not to undertake new, or maintain existing, affiliate reinsurance transactions in order mitigate the risk that any of our Non-U.S. Insurance Subsidiaries generates gross RPII in excess of such amount. However, we are under no obligation to do so, and any decision not to undertake or maintain such transactions could have a material adverse effect on our financial condition and operating results.

The RPII rules also generally provide that if a U.S. person disposes of shares in an insurance company that is a CFC for RPII purposes (without regard to the de minimis exception described above), any gain from the disposition will be treated as ordinary income to the extent of the U.S. person's share of the corporation's undistributed earnings and profits that were accumulated during the period that the U.S. person owned the shares and not previously subject to tax under the CFC rules (whether or not such earnings and profits are attributable to RPII). In addition, such U.S. person will be required to comply with certain reporting requirements, regardless of the number of shares owned by the U.S. person. There is a strong argument these RPII rules do not apply to dispositions of our shares because Argo Group will not itself be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury in final regulations. Accordingly, the meaning of the RPII provisions and application of those provisions to our Non-U.S. Companies and investors that hold shares of Argo Group are uncertain.

U.S. tax-exempt organizations that own our equity securities may recognize unrelated business taxable income.

A U.S. tax-exempt organization that directly or indirectly owns our equity securities generally will recognize unrelated business taxable income and be subject to additional U.S. tax filing obligations to the extent such tax-exempt organization is required to take into account any of our insurance income or RPII pursuant to the CFC and RPII rules described above. U.S. tax-exempt organizations should consult their own tax advisors regarding the risk of recognizing unrelated business taxable income as a result of the ownership our equity securities.

Our Lloyd's Companies may not be eligible for benefits under the U.S.-U.K. income tax treaty.

Our Lloyd's Companies are subject to tax in the United States pursuant to the terms of the Closing Agreement among Lloyd's, Lloyd's members and the IRS. We believe that certain of our Lloyd's Companies are entitled to benefits under the income tax treaty between the United States and the United Kingdom (the "U.S.-U.K. Treaty") based on their conduct as an active trade or business in the UK. Were the IRS to contend successfully that such Lloyd's Companies were not eligible for benefits under the U.S.-U.K. Treaty, such Lloyd's Companies may be required to pay additional taxes such as excise tax on certain premiums and branch profits tax. Such a result could have a material adverse effect on our financial condition and operating results.

Dividends paid by our U.S. subsidiaries to Argo Ireland may not be eligible for benefits under the U.S.-Ireland income tax treaty.

Under U.S. federal income tax law, dividends paid by a U.S. corporation to a non-U.S. shareholder are generally subject to a 30% withholding tax. The income tax treaty between the Republic of Ireland and the United States (the "U.S.-Ireland Treaty") reduces the rate of withholding tax on certain dividends to 5% if paid to a company entitled to benefits under the U.S.-Ireland Treaty that owns at least 10% of the voting stock of the company paying the dividend. We believe that Argo Ireland is eligible for benefits under the U.S.-Ireland Treaty based on the country of residence of our shareholders and certain other factors and therefore entitled to the reduced, 5% withholding tax rate on dividends distributed to it from our U.S. Subsidiaries. However, such determination may change for any given taxable year and we may not have sufficient information to demonstrate that Argo Ireland is entitled to benefits under the U.S.-Ireland Treaty for any given year. Were the IRS to contend successfully that Argo Ireland was not eligible for benefits under the U.S.-Ireland Treaty for a taxable year in which our U.S. Subsidiaries made a distribution to Argo Ireland treated as a dividend for U.S. federal income tax purposes, such distribution would be subject to withholding tax at the 30% rate. Such a result could have a material adverse effect on our financial condition and operating results.

U.K. Tax Risks

Our non-U.K. companies may be subject to U.K. tax.

Companies which are incorporated outside the U.K. may nonetheless become subject to U.K. tax in a number of circumstances, including (without limitation) circumstances in which (1) they are resident in the U.K. for tax purposes by reason of their central management and control being exercised from the U.K. or (2) they are treated as carrying on a trade, investing or carrying on any other business activity in the U.K. (whether or not through a U.K. permanent establishment). In addition, the Finance Act 2015 introduced a new tax known as the "diverted profits tax" ("DPT") which is charged at 25% of any "taxable diverted profits". The DPT has had effect since April 1, 2015 and may apply in circumstances including: (1) where arrangements are designed to ensure that a non-U.K. resident company does not carry on a trade in the U.K. through a permanent establishment; and (2) where a tax reduction is secured through the involvement of entities or transactions lacking economic substance.

We intend to operate in such a manner that none of our companies should be subject to the U.K. DPT and that none of our companies (other than those companies incorporated in the U.K.) should: (1) be a resident in the U.K. for tax purposes; (2) carry on a trade, invest or carry on any other business activity in the U.K. (whether or not through a U.K. permanent establishment). However, this result is based on certain legal and factual determinations, and since the scope and the basis upon which the DPT will be applied by HM Revenue & Customs ("HMRC") in the U.K. remains uncertain and since applicable law and regulations do not conclusively define the activities that constitute conducting a trade, investment or business activity in the U.K. (whether or not through a U.K. permanent establishment), and since we cannot exclude the possibility that there will be a change in law that adversely affects the analysis, HMRC might successfully assert a contrary position. The terms of an income tax treaty between the U.K. and the home country of the relevant Argo Group subsidiary, if any, could contain additional protections against U.K. tax.

Our U.K. and U.S. Operations may be adversely affected by a transfer pricing adjustment in computing U.K. or U.S. taxable profits.

Any arrangements between our U.K.-resident entities and our other entities are subject to the U.K. transfer pricing regime. Consequently, if any agreement (including any reinsurance agreements) between one of our U.K.-resident entities and another of our entities (whether that entity is resident in or outside the U.K.) is found not to be on arm's length terms and as a result a U.K. tax advantage is being or has been obtained, an adjustment will be required to compute U.K. taxable profits as if such an agreement were or had been on arm's length terms. Similar rules apply in the U.S. and would have a similar impact on our U.S. resident entities if transfer pricing adjustments were required. Any transfer pricing adjustment could adversely impact the tax charge suffered by our relevant U.K. or U.S. resident entities. It is possible that our approach to transfer pricing may become subject to greater scrutiny from the tax authorities in the jurisdictions in which we operate, which may lead to transfer pricing audits in the future. Any transfer pricing adjustment could adversely impact the tax charge suffered by our relevant entities. In April 2016, the E.U. issued proposals to require all E.U. entities (including branches) to publish their country-by-country reporting ("CBCR") reports on which the E.U. Parliament voted in favor in 2017 and again in 2019, but which were blocked by the Competitiveness Council of the E.U. later in 2019. The proposals, if eventually implemented, are likely to cause increased audit activity from E.U. tax authorities. Legislation has been enacted giving power to introduce regulations requiring public disclosure of U.K. CBCR reports.

Bermuda Tax Risks

Argo Group and our Bermuda subsidiaries may become subject to Bermuda taxes after 2035.

Bermuda currently imposes no income tax on corporations. In addition, we have obtained an assurance from the Bermuda Minister of Finance, under The Exempted Undertakings Tax Protection Act 1966 of Bermuda, that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or our Bermuda subsidiaries, until March 31, 2035. During 2011, legislation was passed to extend the period of the assurance mentioned above from 2016 to March 31, 2035. We filed for, and received, an extension of the assurance in January of 2012.

The Organisation for Economic Co-operation and Development (OECD), the E.U. and individual jurisdictions may pursue additional measures to address base erosion and profit shifting that could have adverse tax consequences for us and increase our reporting requirements.

In 2015, the OECD published final recommendations on base erosion and profit shifting ("BEPS"). These recommendations proposed the development of rules directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. Several of the areas of tax law on which the BEPS project has focused have led or will lead to changes in the domestic law of individual OECD jurisdictions. These changes include (amongst others) restrictions on interest and other deductions for tax purposes, the introduction of broad anti-hybrid regimes and reform of controlled foreign company rules. Changes are also expected to arise in the application of certain double tax treaties as a result of the implementation and adoption of the OECD's Multilateral Instrument, which may restrict the ability of Argo Group entities to rely on the terms of relevant double tax treaties in certain circumstances. Further, recent BEPS developments include proposals for new profit allocation and nexus rules and for rules to ensure that the profits of multinational enterprises are subject to a minimum rate of tax.

In parallel with the OECD's BEPS project, E.U. Member States were required to implement by January 2020 (subject to a few exceptions) new domestic legislation giving effect to the EC's (amended) Anti-Tax Avoidance Directive ("ATAD", with the amendment being commonly known as "ATAD II"). ATAD II mandates domestic legislation counteracting certain hybrid mismatches (anti-hybrid rules), to complement the existing changes (interest deductibility restrictions, controlled foreign company rules, etc.) brought about by ATAD.

Changes of law in individual jurisdictions which may arise as a result of the BEPS project or the implementation of ATAD/ATAD II may ultimately increase the tax base of individual Argo Group entities in certain jurisdictions or the worldwide tax exposure of Argo

Group entities. Those changes of law are also potentially relevant to the ability of Argo Group entities to efficiently fund and realize investments or repatriate income or capital gains from relevant jurisdictions, and could ultimately necessitate some restructuring of Argo Group entities or their business operations. The changes of law resulting from the BEPS project also include revisions to the definition of a "permanent establishment" and the rules for attributing profit to a permanent establishment. Other BEPS-related changes focus on the goal of ensuring that transfer pricing outcomes are in line with value creation.

Changes to tax laws resulting from the BEPS project or as a result of ATAD/ATAD II could increase their complexity and the burden and costs of compliance. Additionally, such changes could also result in significant modifications to existing transfer pricing rules and could potentially have an impact on our taxable profits in various jurisdictions.

Since 2017 (and in consequence of the BEPS project), some countries in which we do business, including Bermuda, have required certain multinational enterprises, including ours, to report detailed information regarding allocation of revenue, profit, and other information, on a country- by-country basis. The information we are required to report pursuant to this country-by-country reporting, as well as information we are required to report pursuant to certain other exchange of information regimes (for example, e.g., pursuant to the Common Reporting Standard) could ultimately result in certain tax authorities having greater access to information enabling them to challenge the tax positions of Argo Group entities in a number of different areas, especially transfer pricing.

Bermuda temporarily added to the E.U. Grey List

At the latest meeting of the ECOFIN Council of the E.U. (the "Council") on February 24, 2022, Bermuda was temporarily added to the list of jurisdictions that make up the E.U.'s "state of play" document with respect to cooperative jurisdictions that have committed to implement tax good governance principles (Annex II, also known as the "Grey List"). Countries are included on the Grey List by the Council where such jurisdictions have committed to implementing recommendations from the OECD relating to tax reform in line with E.U. taxation standards. The Bermuda Ministry of Finance has confirmed that Bermuda has now met, or will meet within the required timeframe, all commitments required by the OECD Forum on Harmful Tax Practices and fully expects to be removed from the Grey List at the meeting of the Council in October 2022. The addition of Bermuda to the Grey List is limited in scope and does not result in the imposition of any sanctions or penalties on Bermuda or Bermuda structures. However, if Bermuda continues on the Grey List past October 2022, this may potentially have adverse tax and non-tax consequences on the Bermuda Argo Group entities, which would be dependent on future changes in tax laws and/or administration of relevant E.U. countries.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease office space in Pembroke, Bermuda, where our principal executive office is located. We and our subsidiaries also lease office space in the U.S., U.K., Italy, the United Arab Emirates, Malta, Singapore and various geographic locations throughout the world. The properties are leased on terms and for durations that are reflective of commercial standards in the communities where these properties are located. We believe the facilities we occupy are adequate for the purposes in which they are currently used and are well maintained.

For further discussion of our leasing commitments at December 31, 2021, please see Note 5, "Leases" to our Audited Consolidated Financial Statements

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock trades on the New York Stock Exchange ("NYSE") under the symbol "ARGO".

March 14, 2022, the closing price of our common stock was $40.57.

Holders of Common Stock

The number of holders of record of our common stock as of March 14, 2022 was 1,122.

Dividends

On February 16, 2022, our Board declared a quarterly cash dividend in the amount of $0.31 on each share of common stock outstanding. The dividend will be paid on March 15, 2022 to our shareholders of record on February 28, 2022.

Our dividend policy is determined by the Board and depends, among other factors, upon our earnings, operations, financial condition, capital requirements and general business outlook at the time the policy is considered.

The declaration and payment of future dividends to our shareholders will be at the discretion of our Board and will depend upon the factors noted above.

Sale of Unregistered Securities

During the year ended December 31, 2021, we did not sell or issue any unregistered securities.

Issuer Purchases 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.

We have not repurchased any of our common stock for the year ended December 31, 2021. All previously repurchased shares are being held as treasury shares in accordance with the provisions of the Bermuda Companies Act 1981. As of December 31, 2021, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

The repurchase of common stock is also subject to the terms of our Series A Preference Shares, pursuant to which we may not (other than in limited circumstances) purchase, redeem or otherwise acquire our common stock unless the full dividends for the latest completed dividend period on all outstanding shares of our Series A Preferred Stock have been declared and paid or provided for.

The following table provides information with respect to shares of our common stock that were repurchased or surrendered during the three months ended December 31, 2021:

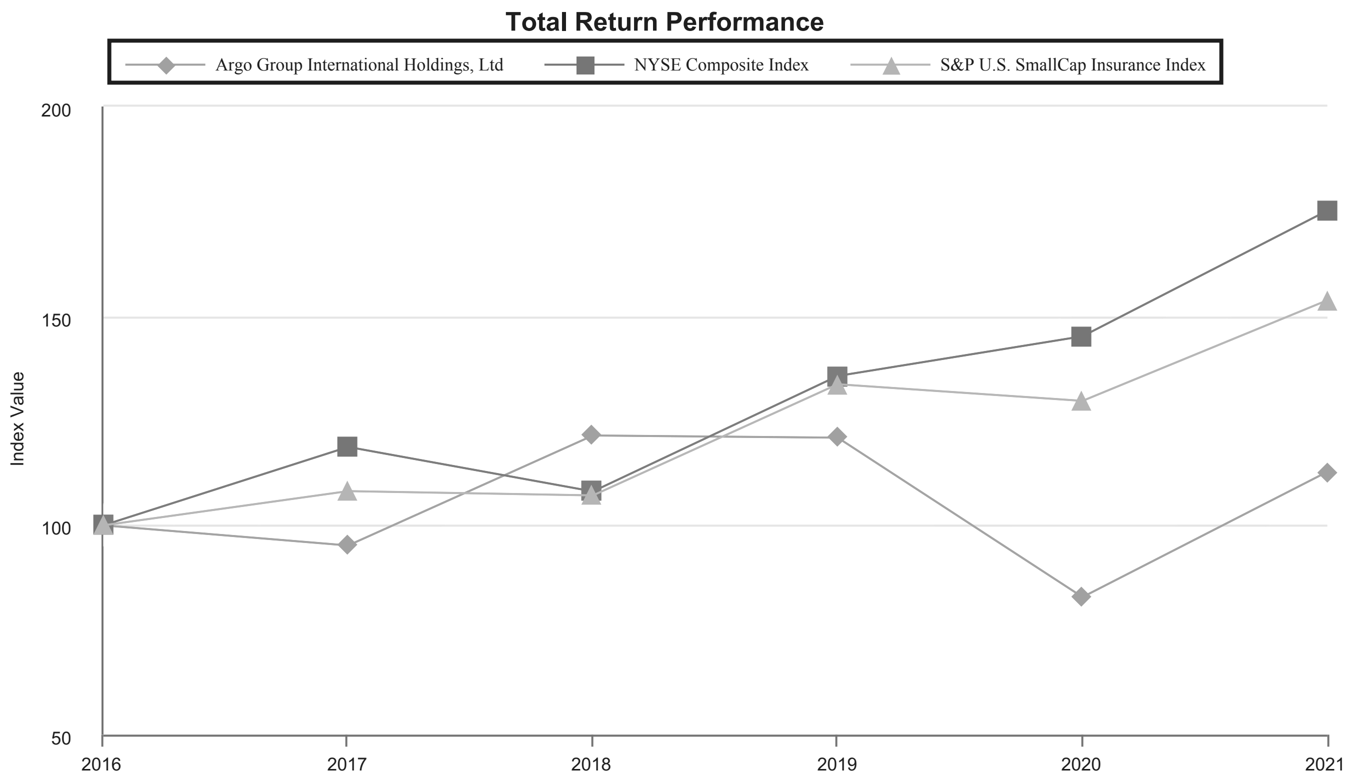
Period	Total Number of Shares Surrendered (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program (c)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program (d)
October 1 through October 31, 2021	—	$ —	—	$ 53,281,805
November 1 through November 30, 2021	1,446	$ 59.40	—	$ 53,281,805
December 1 through December 31, 2021	350	$ 54.86	—	$ 53,281,805
Total	1,796		—	

Employees are permitted to surrender shares to settle the tax liability incurred upon the vesting or exercise of shares under the various employee equity compensation plans. For the three months ended December 31, 2021, we received 1,796 shares of our common stock, with an average price paid per share of $58.52, 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.

For the year ended December 31, 2021, we received 55,435 shares of our common stock, with an average price paid per share of $52.52, that were surrendered by employees in payment for the minimum required withholding taxes due to the vesting/exercise of equity compensation awards.

Performance Graph

The following performance graph compares the performance of our common stock during the five-year period from December 31, 2016 through December 31, 2021 with the performance of the NYSE Composite Index and the S&P U.S. SmallCap Insurance Index. The graph below shows how a $100.00 investment in our common stock on December 31, 2016 would have grown over the indicated time periods, assuming all dividends are reinvested. The stock price performance shown on the following graph is not intended to predict or be indicative of future price performance.



	As of December 31,					
Index	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Argo Group International Holdings, Ltd.	$100.00	$ 95.19	$121.46	$120.94	$ 82.87	$112.79
NYSE Composite Index	$100.00	$118.73	$108.10	$135.68	$145.16	$175.17
S&P U.S. SmallCap Insurance Index	$100.00	$108.17	$107.15	$133.70	$129.73	$153.76

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion provides an analysis of the Company's financial condition, cash flows and results of operations from management's perspective and should be read in conjunction with the consolidated financial statements and related notes beginning on page [F-1]. Our objective is to also provide discussion of events and uncertainties known to management that are reasonably likely to cause reported financial information not to be indicative of future operating results or of future financial condition and to offer information that provides understanding of our financial condition, cash flows and results of operations.

This discussion contains forward-looking statements that involve risks and uncertainties. Our future results may differ materially from those disclosed herein as a result of significant risks and uncertainties and various factors described in this report. These risks and uncertainties are discussed in greater detail in Item 1A, "Risk Factors."

During 2021, the Company continued its focus on being a U.S.-focused specialty insurance provider. The Company accesses the U.S. specialty markets through its U.S. domiciled insurance entities as well as its Lloyd's and Bermuda platforms. In conjunction with this strategy the Company is exiting, plans to exit or has sold businesses including: the sale of Ariel Re in November 2020; our businesses in Italy and Malta; our grocery, contract binding and excess and surplus property businesses in U.S. Operations; our London direct and facultative and North American binder business in International Operations, and re-underwriting actions across our catastrophe exposed lines of business. In addition, the Company completed the sale of its Brazilian business in February of 2022.

For discussion of our results of operations and changes in financial conditions for the year ended December 31, 2020 compared to year ended December 31, 2019 refer to Part II. Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on March 15, 2021 and such discussion is incorporated herein by reference.

In 2021, the Company updated its accounting practices impacting the classification of non-operating expenses. As a result of this update, the Company has adjusted the 2020 financial information to conform to the current year's presentation. This update did not impact the 2019 financial presentation. The impact of this update to the 2020 financial information was as follows: Net realized investment losses decreased by $3.6 million; Underwriting, acquisition and insurance expenses decreased by $11.7 million; and Non-operating expenses increased by $15.3 million. Furthermore, the 2020 consolidated expense ratio was reduced by 70 percentage points, the expense ratio for our U.S. Operations was reduced by 20 percentage points and expense ratio for our International Operations was reduced by 120 percentage points.

Consolidated Results of Operations

For the year ended December 31, 2021, we reported a net loss attributable to common shareholders of $3.8 million ($0.11 per diluted common share) as compared to a net loss of $58.7 million ($1.70 per diluted common share) for the year ended December 31, 2020.

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

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Gross written premiums	$ 3,181.2	$ 3,233.3	$ 3,130.2
Earned premiums	$ 1,910.1	$ 1,780.5	$ 1,729.7
Net investment income	187.6	112.7	151.1
Net realized investment gains (losses):			
Net realized investment gains (losses)	72.4	26.0	120.9
Change in fair value recognized	(40.4)	10.3	(40.8)
Change in allowance for credit losses on fixed maturity securities	0.6	(39.9)	—
Net realized investment gains (losses)	32.6	(3.6)	80.1
Total revenue	$ 2,130.3	$ 1,889.6	$ 1,960.9
Income (loss) before income taxes	$ 5.3	$ (46.4)	$ —
Income tax provision (benefit)	(1.4)	7.7	14.1
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Less: Dividends on preferred shares	10.5	4.6	—
Net loss attributable to common shareholders	$ (3.8)	$ (58.7)	$ (14.1)
GAAP ratios			
Loss ratio	68.8 %	67.9 %	70.6 %
Expense ratio	36.8 %	37.5 %	38.5 %
Combined ratio	105.6 %	105.4 %	109.1 %

	December 31, 2021	December 31, 2020
Book value per common share	$ 45.62	$ 49.40

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

a. *Loss ratio*: the ratio of claims and claims expense to premiums earned. Loss ratios include the impact of catastrophe losses.
b. *Expense ratio*: the ratio of underwriting, acquisition and insurance expense to premiums earned.
c. *Combined ratio*: the sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income (loss) as a percentage of premiums earned, or underwriting margin.

Impact of COVID-19

Beginning in March 2020 and continuing throughout 2021, the global COVID-19 pandemic, including the arrival of new strains of the virus, has resulted in significant disruptions in economic activity and financial markets. While the Company's consolidated net investment income benefited from the gradual improvement of economic conditions as the impact of the pandemic lessened during the 2021, COVID-19 has directly and indirectly adversely affected the Company and may continue to do so for an uncertain period of time. For the year ended December 31, 2021, our underwriting results included net pre-tax catastrophe losses of $12.4 million associated with COVID-19 and related economic conditions, as compared to $73.2 million for the year ended December 31, 2020. Premium levels in certain lines in both our U.S. and International Operations have been negatively impacted by the challenges of the economic slowdown. Conversely, our current accident year non-catastrophe loss results saw reduced claim activity during the year ended December 31, 2021 due, in part, to the impact of the COVID-19 pandemic. While this reduction in claim activity during 2021 was not as significant as that experienced for the same period in 2020, the 2021 current accident year non-catastrophe claim frequency is still below our historical averages. Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during the years ended December 31, 2021 or 2020. Although vaccines are now available and are in the process of being widely distributed, the extent to which COVID-19 (including emerging new strains of the COVID-19 virus) will continue to impact our business will depend on future developments that cannot be predicted, and while we have recorded our best estimates of this impact as of and for the year ended December 31, 2021, actual results in future periods could materially differ from those disclosed herein.

Non-GAAP Measures

In presenting our results in the following discussion and analysis of our results of operations, we have included certain non-generally accepted accounting principles ("non-GAAP") financial measures. We believe that these non-GAAP measures, specifically current accident year non-catastrophe losses, current accident year non-catastrophe losses ratio and current accident year non-catastrophe 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 U.S. generally accepted accounting principles ("GAAP"). Reconciliations of these financial measures to their most directly comparable GAAP measures are included in the tables below.

	For the Years Ended December 31,					
	2021		2020		2019	
(in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Earned premiums	$ 1,910.1		$ 1,780.5		$ 1,729.7	
Losses and loss adjustment expenses, as reported	$ 1,314.6	68.8 %	$ 1,208.8	67.9 %	$ 1,220.7	70.6 %
Less:						
Favorable (unfavorable) prior accident year loss development	(138.3)	(7.2)%	(7.7)	(0.4)%	(138.1)	(8.0)%
Catastrophe losses, including COVID-19	(92.7)	(4.8)%	(179.2)	(10.1)%	(33.6)	(1.9)%
Current accident year non-catastrophe losses (non-GAAP)	$ 1,083.6	56.8 %	$ 1,021.9	57.4 %	$ 1,049.0	60.7 %
Expense ratio		36.8 %		37.5 %		38.5 %
Current accident year non-catastrophe combined ratio (non-GAAP)		93.6 %		94.9 %		99.2 %

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

Gross Written and Earned Premiums

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

(in millions)	For the Years Ended December 31, 2021 Gross Written	2021 Net Earned	2020 Gross Written	2020 Net Earned	2019 Gross Written	2019 Net Earned
Property	$ 548.1	$ 282.3	$ 765.1	$ 313.1	$ 789.6	$ 300.4
Liability	1,351.3	804.1	1,302.3	776.1	1,271.8	805.7
Professional	730.1	463.4	648.3	365.4	524.3	274.2
Specialty	551.7	360.3	517.6	325.9	544.5	349.4
Total	$ 3,181.2	$ 1,910.1	$ 3,233.3	$ 1,780.5	$ 3,130.2	$ 1,729.7

Gross written premiums decreased $52.1 million, or (1.6)%, for the year ended December 31, 2021, as compared to the year ended December 31, 2020. The decrease in gross written premiums is attributable to businesses we are exiting, plan to exit or have sold, including sales of Ariel Re in November 2020, our businesses in Italy and Malta, grocery business, contract binding and excess and surplus property businesses in the U.S. in addition to the exits of our London direct and facultative and North American binder business in our International Operations, and re-underwriting actions across our catastrophe exposed lines of business. Partially offsetting the decrease was our U.S. Operations which increased 3.7% as compared to the same period in 2020, concentrated in Liability and Professional Lines. Both U.S. Operations and International Operations continued to see overall rate increases (mid single to low double digits) during 2021. In addition, we completed the sale of our Brazilian business in February of 2022, which wrote $78.7 million in gross written premium for the year ended December 31, 2021.

Consolidated earned premiums increased $129.6 million, or 7.3%, for the year ended December 31, 2021, as compared to the year ended December 31, 2020. Earned premiums increased in both U.S. Operations and International Operations for the year ended December 31, 2021. The increase in U.S. Operations was due to premium growth and change in business mix towards lines of business where we purchase less ceded reinsurance, while International Operations was driven by growth in Syndicate 1200 primarily due to significantly decreasing our use of third-party capital at Lloyd's for the 2021 year of account, partially offset by the sale of Ariel Re. We anticipate the negative impact to net earned premiums from the sale of Ariel Re to be reduced in the future since we exited the business in 2020.

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

Net Investment Income

Consolidated net investment income increased $74.9 million, or 66.5%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The year-over-year increase in consolidated net investment income was driven by an $86.9 million increase in our alternative investment portfolio, primarily from higher returns on hedge funds and private equity investments as valuations benefited from the improving circumstances surrounding COVID-19 throughout 2021. The increase was partially offset by a decline of $12.0 million from our fixed maturities portfolio primarily due to the 2020 liquidation of a high yield portfolio in connection with a "de-risking" in our investment strategy, lower reinvestment rates and security disposals in the second quarter 2021 in the Syndicate 1200 portfolio related to the RiverStone reinsurance to close ("RITC") transaction. RiverStone provided an RITC of Syndicate 1200 for 2017 and prior years with net technical provision of approximately $219.7 million.

Total invested assets at December 31, 2021 were $5,233.0 million, net of $89.6 million of invested assets attributable to our Syndicate 1200 and 1910 trade capital providers. Total invested assets at December 31, 2020 were $5,115.5 million, net of $140.3 million of invested assets attributable to our Syndicate 1200 and 1910 trade capital providers.

Net Realized Investment Gains (Losses)

Consolidated net realized gains (losses) increased $36.2 million for the year ended December 31, 2021 as compared to the year ended December 31, 2020. Consolidated net realized investment gains of $32.6 million for the year ended December 31, 2021 included $82.8 million related to the sales of fixed maturity and equity securities. Partially offsetting these gains the Company recognized $40.4 million of a change in fair value recognized, and $10.5 million reduction in the realized gain of the sale of our Trident brand and underwriting platform. The Company also recognized $0.6 million change in allowance for credit losses on fixed maturity securities.

Consolidated net realized investment losses of $3.6 million for the year ended December 31, 2020 included $39.9 million charge for expected credit losses on fixed maturity securities recognized under Accounting Standards Update ("ASU") 2016-13, "Measurement of Credit Losses on Financial Instruments," which was effective January 1, 2020. We also recognized a $9.4 million loss related to the sale of our reinsurance business, Ariel Re, in the fourth quarter of 2020. Partially offsetting these losses were the $31.8 million gain recognized on the sale of our Trident brand and underwriting platform in the second quarter of 2020, a $10.3 million increase in the fair value of equity securities and a $3.6 million net realized gain primarily related to the sales of fixed maturity and equity securities.

Losses and Loss Adjustment Expense

Consolidated losses and loss adjustment expenses increased $105.8 million, or 8.8%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The consolidated loss ratio for the year ended December 31, 2021 was 68.8%, compared to 67.9% for the same period in 2020, driven by an increase in net unfavorable prior-year reserve development in 2021 as compared to 2020 (6.8 percentage points), partially offset by a decrease in catastrophe losses (5.3 percentage points), which included COVID-19-related losses and lower current accident year non-catastrophe loss ratio (0.6 percentage points). Catastrophe losses for the year ended December 31, 2021 included $12.4 million for COVID-19-related claims, with the remaining $80.3 million being primarily attributable to Hurricane Uri, winter storm Ida, and other U.S. and international events.

The following table summarizes the above referenced prior-year loss reserve development for the year ended December 31, 2021 with respect to net loss reserves by line of business as of December 31, 2020. The unfavorable prior-year reserve development was concentrated in U.S. Operations ($120.9 million) and Run-off Lines ($44.3 million), offset with favorable prior-year reserve development coming from International Operations ($26.9 million). Our losses and loss adjustment expenses, including the prior-year loss reserve development shown in the following table, are further discussed by reporting segment under the heading "Segment Results" below.

(in millions)	Net Reserves 2020	Net Reserve Development (Favorable)/ Unfavorable	Percent of 2020 Net Reserves
General liability	$ 1,587.4	$ 128.9	8.1 %
Workers compensation	$ 284.9	9.4	3.3 %
Syndicate Liability	$ 239.1	(0.8)	(0.3)%
Commercial multi-peril	$ 233.4	7.0	3.0 %
Syndicate and US special property	$ 108.0	9.6	8.9 %
Commercial auto liability	$ 86.9	10.1	11.6 %
Syndicate specialty	$ 76.0	(18.5)	(24.3)%
Fidelity/Surety	$ 38.4	(12.2)	(31.8)%
All other lines	$ 252.0	4.8	1.9 %
Total	$ 2,906.1	$ 138.3	4.8 %

In determining appropriate reserve levels for the year ended December 31, 2021, we maintained the same general processes and disciplines that were used to set reserves at prior reporting dates. No significant changes in methodologies were made to estimate the reserves since the last reporting date; however, at each reporting date we reassess the actuarial estimate of the reserve for loss and loss adjustment expenses and record our best estimate. Consistent with prior reserve valuations, as claims data becomes more mature for prior accident years, actuarial estimates were refined to weigh certain actuarial methods more heavily in order to respond to any emerging trends in the paid and reported loss data. While prior accident years' net reserves for losses and loss adjustment expenses for some lines of business have developed favorably in recent years, this does not imply that more recent accident years' reserves also will develop favorably; pricing, reinsurance costs, legal environment, general economic conditions including changes in inflation and many other factors impact our ultimate loss estimates.

Consolidated gross reserves for losses and loss adjustment expenses were $5,595.0 million (including $134.6 million of reserves attributable to our Syndicate 1200 and 1910 trade capital providers) and $5,406.0 million (including $243.7 million of reserves attributable to our Syndicate 1200 and 1910 trade capital providers) as of December 31, 2021 and 2020, 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 loss development, favorable or unfavorable, will not occur.

Underwriting, Acquisition and Insurance Expense

Consolidated underwriting, acquisition and insurance expense increased $34.6 million, or 5.2%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase in the underwriting, acquisition and insurance expense was primarily driven by an increase in business written and the associated acquisition costs. The consolidated expense ratio decreased 0.7% to 36.8% for the year ended December 31, 2021. The consolidated expense ratio decreased primarily as a result of earned premiums increasing at a faster rate than growth in general and administrative expenses as a result of the Company's expense reduction initiative.

Non-Operating Expenses

Non-operating expenses increased $22.6 million, or 107.1%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase primarily related to non-recurring costs associated with closing certain U.S. and U.K. offices, severance expenses and retention bonuses, asset impairments and legal costs.

These non-recurring costs are included in the line item "Non-Operating expenses" in the Company's Consolidated Statements of Income (Loss), and have been excluded from the calculation of our expense ratio. Certain prior year's balances have been reclassified between acquisition, general and administrative and non-operating expenses to conform to the current year's presentation.

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

Interest Expense

Consolidated interest expense decreased $5.3 million, or (19.7%), to $21.6 million for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The year-over-year decrease was primarily attributable to significant reductions in short-term LIBOR rates during 2021, as well as a lower debt balance due to paying off our $125 million term loan in September 2020.

Foreign Currency Exchange (Gains) Losses

Consolidated foreign currency exchange losses decreased $13.8 million for the year ended December 31, 2021, as compared to the year ended December 31, 2020. The changes in the foreign currency exchange gains were due to fluctuations of the U.S. Dollar, on a weighted average basis, against the Canadian Dollar, Euro and the British Pound.

Impairment of Intangibles

During the year ended December 31, 2021, we recorded a $43.2 million impairment charge on the intangibles related to Syndicate 1200. Management's fourth quarter 2021 analysis of Syndicate 1200, reflected an implied fair value which was below the reporting unit's carrying value.

Income Tax Provision (Benefit)

The consolidated income tax provision represents the income tax expense or benefit associated with our operations based on the tax laws of the jurisdictions in which we operate. Therefore, the consolidated provision for income taxes represents taxes on net income for our Brazil, Ireland, Italy, Malta, Switzerland, U.K. and U.S. operations. The consolidated provision for income taxes was $1.4 million for the year ended December 31, 2021, compared to a provision of $7.7 million for the year ended December 31, 2020. The consolidated effective tax rates were (26.4)% and (16.6)% for the years ended December 31, 2021 and 2020, respectively. The decrease in the effective tax rate for the year ended December 31, 2021 as compared to the same period in 2020 was primarily impacted by recognizing pre-tax losses concentrated in preferential taxing jurisdictions. Additionally, an impairment charge related to U.K. goodwill and intangibles was recognized in addition to a remeasurement of the UK Deferred tax asset as a result of a tax rate change. Additionally, a reduction of the U.S. uncertain tax position liability occurred in 2021.

Segment Results

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

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

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

- **Property** includes both property insurance and reinsurance products. Insurance products cover commercial properties primarily in North America with some international covers. Reinsurance covers underlying exposures located throughout the world, including the United States. These offerings include coverages for man-made and natural disasters. With the sale of our reinsurance business in the fourth quarter of 2020, we do not anticipate writing significant new reinsurance business going forward.
- **Liability** includes a broad range of primary and excess casualty products primarily underwritten as insurance and, to a lesser extent reinsurance, for risks on both an admitted and non-admitted basis in the United States. Internationally, Argo Group underwrites non-U.S. casualty risks primarily exposed in the United Kingdom, Canada and Australia.
- **Professional** includes various professional lines products including errors and omissions and management liability coverages (including directors and officers).
- **Specialty** includes niche insurance coverages including marine and energy, accident and health and surety product offerings.

In evaluating the operating performance of our segments, we focus on core underwriting and investing results before consideration of realized gains or losses from the sales of investments. 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.

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 Years Ended December 31,		
(in millions)	2021	2020	2019
Gross written premiums	$ 2,069.4	$ 1,994.8	$ 1,860.3
Earned premiums	$ 1,283.7	$ 1,207.6	$ 1,119.9
Losses and loss adjustment expenses	908.2	768.7	690.4
Underwriting, acquisition and insurance expenses	419.3	389.7	368.7
Underwriting income (loss)	(43.8)	49.2	60.8
Net investment income	119.4	80.3	100.0
Interest expense	(14.1)	(16.2)	(20.5)
Fee and other income (expense), net	(0.4)	(0.2)	(1.0)
Income before income taxes	$ 61.1	$ 113.1	$ 139.3
GAAP ratios			
Loss ratio	70.7 %	63.7 %	61.7 %
Expense ratio	32.7 %	32.2 %	32.9 %
Combined ratio	103.4 %	95.9 %	94.6 %
Loss reserves at December 31	$ 3,422.4	$ 3,091.9	$ 2,775.1

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

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

	For the Years Ended December 31,					
	2021		2020		2019	
(in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Earned premiums	$ 1,283.7		$ 1,207.6		$ 1,119.9	
Losses and loss adjustment expenses, as reported	$ 908.2	70.7 %	$ 768.7	63.7 %	$ 690.4	61.7 %
Less:						
Favorable prior accident year loss development	(120.9)	(9.4)%	(2.4)	(0.2)%	(15.7)	(1.4)%
Catastrophe losses, including COVID-19	(36.1)	(2.8)%	(56.2)	(4.6)%	(14.4)	(1.3)%
Current accident year non-catastrophe losses (non-GAAP)	$ 751.2	58.5 %	$ 710.1	58.9 %	$ 660.3	59.0 %
Expense ratio		32.7 %		32.2 %		32.9 %
Current accident year non-catastrophe combined ratio (non-GAAP)		91.2 %		91.1 %		91.9 %

Gross Written and Earned Premiums

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

	For the Years Ended December 31,					
	2021		2020		2019	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 253.0	$ 149.9	$ 300.0	$ 155.5	$ 284.9	$ 137.5
Liability	1,093.6	672.8	1,060.6	674.2	1,073.6	700.3
Professional	504.1	315.1	438.3	244.9	315.9	158.9
Specialty	218.7	145.9	195.9	133.0	185.9	123.2
Total	$ 2,069.4	$ 1,283.7	$ 1,994.8	$ 1,207.6	$ 1,860.3	$ 1,119.9

Property

Gross written premiums for property decreased $47.0 million, or (15.7%), for the year ended December 31, 2021 as compared the year ended December 31, 2020 which is attributable to businesses we are exiting, or plan to exit, including contract binding and excess and surplus ("E&S") property businesses units and planned underwriting initiatives in the public entity program. The decrease in net earned premiums for the year ended December 31, 2021 compared to the same period in 2020 was also a result of reduced production from the contract binding, E&S property business units and public entity business program, partially offset by growth from the inland marine and garage business units.

Liability

Gross written premiums for liability increased $33.0 million, or 3.1%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020 was primarily driven by growth from business units which are targeted for growth and investment that write general liability and environmental lines as well as a new fronted program that writes general liability. This increase was partially offset by planned reductions in the contract binding business unit and grocery and restaurant classes. Net earned premiums decreased $1.4 million, or (0.2)%, for the year ended December 31, 2021 compared to the same period in 2020, due primarily to business mix and increased reinsurance cost.

Professional

Gross written premiums for professional increased $65.8 million, or 15.0%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020 driven by the favorable rate environment for the directors and officers products, new business growth from the errors and omissions products and the delegated authority programs.

Specialty

Gross written premiums increased $22.8 million or 11.6%, for the year ended December 31, 2021 as compared to the December 31, 2020 due primarily to growth in surety.

Loss and Loss Adjustment Expenses

The loss ratios for the years ended December 31, 2021 and 2020 were 70.7% and 63.7%, respectively. The higher loss ratio in 2021, as compared to 2020, was driven by a 9.2 percentage points increase in net unfavorable prior-year reserve development in 2021 as compared to 2020, partially offset by a 1.8 percentage point decrease in catastrophe losses, including COVID-19-related claims, and a 0.4 percentage point decrease in the current accident year non-catastrophe loss ratio.

Net unfavorable prior-year reserve development for the year ended December 31, 2021 was $120.9 million (9.4 percentage points), primarily related to liability lines, including claims alleging construction defect, and professional lines partially offset by favorable prior-year reserve development in specialty lines. The liability lines and professional lines prior-year development was largely due to movements in the fourth quarter 2021. The internal analysis of liability lines completed during the fourth quarter of 2021 saw an increase in the difference between the actual incurred loss movements versus the expected movements in business units with significant exposure to claims alleging construction defect, driven by accident years 2017 and prior. In addition, during the fourth quarter of 2021, we received the results of an external actuarial review. The result of the external review on these lines was consistent with the internal analysis. The internal analysis of professional lines completed during the fourth quarter of 2021 incorporated evaluations of individual Securities Class Action claims. In addition, during the fourth quarter of 2021, we received the results of an external actuarial review. The result of the external review on these lines was consistent with the internal analysis. The professional lines prior-year development was driven by accident years 2018 and prior. The net unfavorable prior-year reserve development for the year ended December 31, 2020 was $2.4 million (0.2 percentage points) and primarily related to liability and professional lines partially offset by favorable prior-year reserve development in specialty and property lines.

Catastrophe losses for the year ended December 31, 2021 were $36.1 million (2.8 percentage points) and were mainly attributable to Winter Storm Uri, and a number of smaller storms across the U.S. including Hurricane Ida. Catastrophe losses for the year ended December 31, 2020 were $56.2 million (4.6 percentage points), which included reserves associated with COVID-19 of $6.5 million, primarily related to expected costs associated with potential litigation related to property exposures. The remaining $49.7 million for the year ended December 31, 2020 were primarily attributable to wildfires, Hurricanes Laura, Delta, Zeta and Sally and a number of smaller storms across the U.S.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses increased $29.6 million, or 7.6%, for the year ended December 31, 2021 as compared to December 31, 2020. The expense ratio increased to 32.7% for the year ended December 31, 2021 as compared to 32.2% for the same period 2020. The increase was primarily concentrated in acquisition expenses which increased due to our mix of business, which was partially offset by a reduction in our general and administrative expense ratio driven by scale benefits associated with premium growth.

International Operations

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

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Gross written premiums	$ 1,111.0	$ 1,238.0	$ 1,269.7
Earned premiums	$ 625.8	$ 572.5	$ 609.6
Losses and loss adjustment expenses	362.1	428.6	518.3
Underwriting, acquisition and insurance expenses	246.3	241.6	250.2
Underwriting income (loss)	17.4	(97.7)	(158.9)
Net investment income	50.6	26.7	44.2
Interest expense	(5.6)	(7.7)	(11.0)
Fee and other (expense) income, net	1.7	3.4	4.3
Income (loss) before income taxes	$ 64.1	$ (75.3)	$ (121.4)
GAAP ratios			
Loss ratio	57.9 %	74.9 %	85.0 %
Expense ratio	39.3 %	42.2 %	41.0 %
Combined ratio	97.2 %	117.1 %	126.0 %
Loss reserves at December 31	$ 1,911.4	$ 2,077.6	$ 2,129.0

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

	For the Years Ended December 31,					
	2021		2020		2019	
(in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Earned premiums	$ 625.8		$ 572.5		$ 609.6	
Losses and loss adjustment expenses, as reported	$ 362.1	57.9 %	$ 428.6	74.9 %	$ 518.3	85.0 %
Less:						
Favorable (unfavorable) prior accident year loss development	26.9	4.3 %	6.2	1.1 %	(110.4)	(18.1)%
Catastrophe losses, including COVID-19	(56.6)	(9.1)%	(123.0)	(21.5)%	(19.2)	(3.1)%
Current accident year non-catastrophe losses (non-GAAP)	$ 332.4	53.1 %	$ 311.8	54.5 %	$ 388.7	63.8 %
Expense ratio		39.3 %		42.2 %		41.0 %
Current accident year non-catastrophe combined ratio (non-GAAP)		92.4 %		96.7 %		104.8 %

Gross Written and Earned Premiums

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

	For the Years Ended December 31,					
	2021		2020		2019	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 295.1	$ 132.4	$ 465.1	$ 157.6	$ 504.7	$ 162.9
Liability	256.8	130.7	241.2	101.5	198.0	105.2
Professional	226.0	148.3	210.0	120.5	208.4	115.3
Specialty	333.1	214.4	321.7	192.9	358.6	226.2
Total	$ 1,111.0	$ 625.8	$ 1,238.0	$ 572.5	$ 1,269.7	$ 609.6

Property

Gross written premiums for property decreased $170.0 million, or (36.6%), for the year ended December 31, 2021 as compared to the year ended December 31, 2020 due to the sale Ariel Re, which was partially offset by growth in Syndicate 1200 from reducing our use of third-party capital at Lloyd's and the favorable rate environment and a reduction in ceded premium due to the non-renewal of a multi-year reinsurance contract following the reduction in gross catastrophe exposures during the first quarter of 2021.

Liability

Gross written premiums for liability increased $15.6 million, or 6.5%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020 due to growth in Syndicate 1200, where for 2021 we introduced the International Casualty Treaty Reinsurance Business, combined with growth in Bermuda Insurance where we are benefiting from favorable rate changes and new business accounts, partially offset by lower premiums due to the sale of Ariel Re and our European operations no longer writing business.

Professional

Gross written premiums for professional lines increased $16.0 million, or 7.6%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020 driven by a reduction in our use of third-party capital at Lloyd's for Syndicate 1200 and the favorable rate environment, as well as growth in Bermuda Insurance driven by favorable rate changes and new business opportunities.

Specialty

Gross written premiums increased $11.4 million, or 3.5%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020 primarily driven by growth in Syndicate 1200, arising from political risks and the new political violence class of business, partially offset by lower premium due to the sale of Ariel Re. The increase in net earned premiums was driven by Syndicate 1200 due to the aforementioned premium growth and decreased use of third-party capital at Lloyd's, as well as our Latin American operation growth in our Brazilian cargo marine business.

Loss and Loss Adjustment Expenses

The loss ratios for the years ended December 31, 2021 and 2020 were 57.9% and 74.9%, respectively. The reduced loss ratio in 2021, as compared to 2020, was driven by a year-over-year improvement of 12.4 percentage points in catastrophe losses, 3.2 percentage points from increased net favorable prior-year reserve development in 2021, and a 1.4 percentage point improvement in the current accident year non-catastrophe loss ratio.

The current accident year non-catastrophe loss ratios for the years ended December 31, 2021 and 2020 were 53.1% and 54.5%, respectively. The improvement in 2021 primarily related to the results of re-underwriting actions across multiple divisions in Syndicate 1200. The current accident year non-catastrophe loss ratio also benefited from rate increases earning through earned premiums.

Net favorable prior-year reserve development for the year ended December 31, 2021 was $26.9 million (4.3 percentage points) and primarily related to favorable development in liability and property lines (including losses associated with prior year catastrophes), partially offset by unfavorable development from liability and professional large claim movements in Argo Insurance Bermuda. The net unfavorable prior-year reserve development for the year ended December 31, 2020 was $6.2 million (1.1 percentage points) and was primarily concentrated in our liability and professional lines. The charges impacted our Bermuda casualty and professional divisions, and our Syndicate 1200 and European operations. The charges in our Bermuda business stemmed from public utility business in our casualty division, which we previously exited, as well as updated estimates on a number of other casualty and professional claims based on new information received in the last three quarters of 2019. The new information included investigations regarding causes of the incidents leading to the losses, reports provided by outside counsel, audits of the underlying losses and recent court decisions, settlements and jury awards. The result was an increase in the number of claims with the potential for underlying losses to reach our attachment point. As it relates to Syndicate 1200, the adverse development generally related to businesses that we have previously exited or where aggressive remedial underwriting actions have been taken. The development related to large claims involving the marine and energy and liability divisions. Losses on small and medium enterprise package business were also higher than expected. As it relates to Europe, the adverse development primarily related to certain coverholders whose contracts were previously terminated or where aggressive remedial underwriting actions have been taken as well as unexpected movements in large professional liability losses. The unfavorable development during the year was also attributable to the results of ongoing audits, underwriting reviews, and updates from those coverholders, 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 coverholders.

Catastrophe losses for the year ended December 31, 2021 were $56.6 million (9.1 percentage points) including losses of $12.4 million associated with COVID-19, primarily resulting from contingency exposures. The property losses relate to sub-limited affirmative business interruption coverage in certain International markets, as well as expected costs associated with potential litigation. The remaining catastrophe losses of $44.2 million for the year ended December 31, 2021 were mainly attributable to winter storm Uri, Hurricane Ida and U.S. tornadoes. Catastrophe losses for the year ended December 31, 2020 were $123.0 million (21.5 percentage points), which included losses associated with COVID-19 of $66.7 million, primarily resulting from contingency exposures. The remaining catastrophe losses of $56.3 million were mainly attributable to Hurricane Sally and Laura with smaller losses from Hurricanes Delta and Zeta, wildfires in the U.S. and other U.S. and international events.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses increased $4.7 million, or 1.9%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The expense ratio decreased to 39.3% for the year ended December 31, 2021 as compared to 42.2% for the same period 2020 The decrease was primarily concentrated in acquisition expenses which decreased due to our mix of business and an increase in ceding commissions. In addition, our general and administrative expense ratio as a result of an increase in earned premiums.

Fee and Other Income/Expense

Fee and other income and fee and other expense represent amounts we receive, and costs we incur, in connection with the management of third-party capital for our underwriting Syndicates at Lloyd's. Fee and other income decreased for the year ended December 31, 2021 as compared to the same period in 2020 due to a reduction in external capital to support the Lloyd's syndicates.

Run-off Lines

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

(in millions)	For the Years Ended December 31, 2021	2020	2019
Earned premiums	$ 0.6	$ 0.4	$ 0.2
Losses and loss adjustment expenses	44.3	11.5	12.0
Underwriting, acquisition and insurance expenses	1.0	1.7	2.4
Underwriting loss	(44.7)	(12.8)	(14.2)
Net investment income	3.6	4.0	5.7
Interest expense	(0.4)	(0.8)	(1.3)
Loss before income taxes	$ (41.5)	$ (9.6)	$ (9.8)

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

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

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses for the year ended December 31, 2021 included $44.3 million of net unfavorable loss reserve development on prior accident years. The unfavorable prior year loss development was due to $20.7 million in run-off liability losses excluding asbestos and environmental, $14.3 million in asbestos and environmental lines and $9.3 million in risk management workers compensation. The movement on liability exposures excluding asbestos and environmental was due to analysis of individual claims. The exposures driving the change were largely the result of claims alleging abuse. A large portion of the change was due to defense costs. The movement on asbestos and environmental lines was due to higher than expected loss activity and movements on large claims alleging environmental losses.

Losses and loss adjustment expenses for the year ended December 31, 2020 included $11.5 million of net unfavorable loss reserve development on prior accident years, of which $16.4 million was in asbestos and environmental lines and $7.2 million in other run-off lines, partially offset by $12.1 million of net favorable loss reserve development on prior accident years in risk management workers compensation.

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 recoverables.

	For the Years Ended December 31,					
	2021		2020		2019	
(in millions)	Gross	Net	Gross	Net	Gross	Net
Asbestos and environmental:						
Loss reserves, beginning of the year	$ 59.3	$ 50.7	$ 52.6	$ 43.8	$ 54.7	$ 46.2
Incurred losses	17.4	14.7	20.2	17.4	10.5	8.3
Losses paid	(12.9)	(10.8)	(13.5)	(10.5)	(12.6)	(10.7)
Loss reserves - asbestos and environmental, end of period	63.8	54.6	59.3	50.7	52.6	43.8
Risk-management reserves	162.6	99.2	162.4	100.5	188.1	116.9
Run-off reinsurance reserves	0.5	0.5	0.5	0.5	0.5	0.5
Other run-off lines	34.3	24.5	14.3	8.9	12.3	7.2
Total loss reserves - Run-off Lines	$ 261.2	$ 178.8	$ 236.5	$ 160.6	$ 253.5	$ 168.4

The following table represents the components of gross loss reserves for the Run-off Lines:

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Asbestos:			
Direct			
Case reserves	$ 3.0	$ 3.1	$ 2.7
Unallocated loss adjustment expense ("ULAE")	0.5	0.5	0.5
Incurred but not reported (“IBNR”)	19.9	20.2	16.1
Total direct written reserves	23.4	23.8	19.3
Assumed domestic			
Case reserves	7.4	8.4	9.1
ULAE	0.8	0.8	0.8
IBNR	11.9	12.8	11.2
Total assumed domestic reserves	20.1	22.0	21.1
Assumed London			
Case reserves	2.1	1.4	1.3
IBNR	2.3	1.6	1.1
Total assumed London reserves	4.4	3.0	2.4
Total asbestos reserves	47.9	48.8	42.8
Environmental reserves	15.9	10.5	9.8
Risk-management reserves	162.6	162.4	188.1
Run-off reinsurance reserves	0.5	0.5	0.5
Other run-off lines	34.3	14.3	12.3
Total loss reserves - Run-off Lines	$ 261.2	$ 236.5	$ 253.5

We perform an extensive actuarial analysis of the asbestos and environmental reserves on at least an annual basis. We continually monitor the status of the claims and may make adjustments outside the annual review period. The review entails a detailed analysis of our direct and assumed exposure. We consider the indications from the various actuarial methods from the review to determine our best estimate of the asbestos and environmental losses and loss adjustment expense reserves. We primarily relied on a method that projects future reported claims and severities, with some weight given to other methods. This method relies most heavily on our historical claims and severity information, whereas other methods rely more heavily on industry information. The method produces an estimate of IBNR losses based on projections of future claims and the average severity for those future claims. The severities were calculated based on our specific data and in our opinion best reflect our liabilities based upon the insurance policies issued.

The following table represents a reconciliation of the number of asbestos and environmental claims outstanding (in whole numbers):

	For the Years Ended December 31,		
	2021	2020	2019
Open claims, beginning of the year	706	707	751
Claims closed during the year	67	119	121
Claims opened during the year	48	118	77
Open claims, end of the year	687	706	707

The following table represents gross payments on asbestos and environmental claims:

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Gross payments on closed claims	$ 2.9	$ 9.5	$ 1.6
Gross payments on open claims	10.0	4.0	11.0
Total gross payments	$ 12.9	$ 13.5	$ 12.6

Because of the types of coverage within the Run-off Lines of business still being serviced by Argonaut, a significant amount of subjectivity and uncertainty exists in establishing the reserves for losses and loss adjustment expenses. Factors that increase these uncertainties are: (1) lack of historical data, (2) inapplicability of standard actuarial projection techniques, (3) uncertainties regarding ultimate claim costs, (4) coverage interpretations and (5) the judicial, statutory and regulatory environments under which these claims may ultimately be resolved. Significant uncertainty remains as to our ultimate liability due to the potentially long waiting period between exposure and emergence of any bodily injury or property damage and the resulting potential for involvement of multiple policy periods for individual claims. Due to these uncertainties, the current trends may not be indicative of future results. Although we have determined and recorded our best estimate of the reserves for losses and loss adjustment expenses for Run-off Lines, current judicial and legislative decisions continue to broaden liability, expand the scope of coverage and increase the severity of claims payments. As a result of these and other recent developments, the uncertainties inherent in estimating ultimate loss reserves are heightened, further complicating the already complex process of determining loss reserves. The industry as a whole is involved in extensive litigation over coverages and liability issues continue to make it difficult to quantify these exposures.

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses for the Run-off Lines segment consists primarily of administrative expenses. The decrease in insurance expenses for the year ended December 31, 2021 as compared to the same period in 2020 was due to the Company’s expense reduction initiative.

Liquidity and Capital Resources

Our insurance and reinsurance subsidiaries require liquidity and adequate capital to meet ongoing obligations to policyholders and claimants and fund operating expenses. During the year ended December 31, 2021, cash flow provided by operations was $99.7 million. Based on current premium volumes and other measures of capital deployed in our business, we determined we had excess capital and, therefore, returned capital to our shareholders through dividend payments to our shareholders. We believe our liquidity generated from operations and, if required, from our investment portfolio, will be sufficient to meet our obligations at least the next 12 months. We believe we have access to various sources of liquidity including cash, investments and the ability to borrow under our revolving credit facility.

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

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

On October 12, 2020, ArgoGlobal, the Lloyd's insurer and member of Argo, announced a reinsurance-to-close ("RITC") transaction with legacy specialist RiverStone. Pursuant to the terms of the transaction, RiverStone will undertake an RITC of ArgoGlobal's Syndicate 1200 for 2017 and prior years with net technical provision of approximately $219.7 million. The transaction received regulatory approval on January 29, 2021, with the RITC becoming effective on January 1, 2021.

Cash provided by operating activities can fluctuate due to timing differences in the collection of premiums and reinsurance recoveries and the payment of losses and expenses. For the years ended December 31, 2021 and 2020, cash provided by operating activities was $99.7 million and $71.9 million respectively. The increase in cash flows provided by operating activities in 2021 compared to 2020 was attributable to various fluctuations within our operating activities, and primarily related to the timing of reinsurance recoveries, claim payments and premium cash receipts in the respective periods.

For the years ended December 31, 2021 and 2020, net cash used in investing activities was $55.9 million and $24.3 million, respectively. The decrease in cash provided by investing was mainly the result of the increase in the proceeds from sale of fixed maturities and short-term investments, partially offset by a decrease in cash used to purchase fixed maturities and an increase in the proceeds from maturities of fixed maturities. As of December 31, 2021 and 2020, $655.8 million and $542.6 million, respectively, of the investment portfolio were invested in short-term investments.

For the years ended December 31, 2021 and 2020, net cash used in financing activities was $52.9 million and $26.8 million, respectively. During 2021 and 2020, we did not repurchase any common shares. We paid dividends to our common shareholders totaling $43.7 million and $43.0 million during the years ended December 31, 2021 and 2020, respectively. On July 9, 2020 we raised $144.0 million, net of issuance costs, by issuing 6,000,000 depositary shares (as further described in the "Preferred Stock Offering" section below). We paid cash dividends to our preferred shareholders totaling $10.5 million during the year ended December 31, 2021. On September 17, 2020, we paid off our term loan in the amount of $125 million.

We invest excess cash in a variety of investment securities. As of December 31, 2021, our investment portfolio consisted of 79.3% fixed maturities, 1.1% equity securities, 7.3% other investments 12.3% short-term investments (based on fair value) compared to 78.1% fixed maturities, 3.4% equity securities, 8.2% other investments and 10.3% short-term investments as of December 31, 2020. We classify the majority of our investment portfolio as available-for-sale; resulting in these investments being reported at fair market value with unrealized gains and losses, net of tax, being reported as a component of shareholders' equity. At December 31, 2021, no investments were designated as trading. No issuer (excluding United States Government and United States Governmental agencies) of fixed maturity or equity securities represents more than 3.1% of shareholders' equity at December 31, 2021.

Reinsurance and Collateral Held by Argo Group

We maintain a comprehensive reinsurance program at levels management considers adequate to diversify risk and safeguard our financial position. Increases in the costs of this program, or the failure of our reinsurers to meet their obligations in a timely fashion, may have a negative impact on liquidity.

Under certain insurance programs (i.e., large deductible programs and surety bonds) and various reinsurance agreements, collateral and letters of credit ("LOCs") are held for our benefit to secure performance of insureds and reinsurers in meeting their obligations. At December 31, 2021, the amount of such collateral and LOCs held under insurance and reinsurance agreements was $877.0 million and $1,085.5 million, respectively. Collateral can also be provided in the form of trust accounts. As we are the beneficiary of these trust accounts only to secure future performance, these amounts are not reflected in our consolidated balance sheets. Collateral provided by an insured or reinsurer may exceed or fall below the amount of their total outstanding obligation.

LOCs have been filed with Lloyd's by trade capital providers as part of the terms of whole account quota share reinsurance contracts entered into by the trade capital providers. In the event such LOCs are funded, the outstanding balance would be the responsibility of the trade capital providers.

During the year ended December 31, 2021 there were no write-off for uncollectible reinsurance, and for the year ended December 31, 2020, we wrote-off uncollectible reinsurance recoverables of $0.4 million.

Holding company and Intercompany Dividends

Argo Group and its other non-insurance company subsidiaries are dependent on dividends and other permitted payments from their insurance subsidiaries in order to pay cash dividends to their shareholders, for debt service and for their operating expenses. The ability of our insurance subsidiaries to pay dividends is subject to certain restrictions imposed by the jurisdictions of domicile that regulate these subsidiaries and each jurisdiction has calculations for the amount of dividends that our subsidiary can pay without the approval of the insurance regulator.

Argo Re is the primary direct subsidiary of Argo Group International Holdings, Ltd. and is subject to Bermuda insurance laws. Argo Ireland is indirectly owned by Argo Re and is a mid-level holding company subject to Irish laws, and its primary subsidiary is Argo Group U.S., Inc. Argo Group U.S., Inc. is a mid-level holding company subject to Delaware laws. Argo Group U.S., Inc. is the parent of all of our U.S. insurance subsidiaries.

The payment of dividends by Argo Re is limited under Bermuda insurance laws which require Argo Re to maintain certain measures of solvency and liquidity. As of December 31, 2021, the statutory capital and surplus of Argo Re was $1,425.8 million, and the amount required to be maintained was $126.8 million, thereby allowing Argo Re the potential to pay dividends or capital distributions within the parameters of the solvency and liquidity margins. We believe that the dividend and capital distribution capacity of Argo Re will provide us with sufficient liquidity to meet the operating and debt service commitments, as well as other obligations.

During 2021, Argo Re paid cash dividends of $85.0 million to Argo Group International Holdings, Ltd. which were used to repay intercompany balances related primarily to dividend payments, interest payments and other corporate expenses.

During 2021, Argo Group U.S., Inc. did not receive dividends from its subsidiaries.

During 2022, Argo Group U.S., Inc. may be permitted to receive dividends from Argonaut up to $107.1 million without prior approval from the Illinois Division of Insurance. Argo Group U.S, Inc. may be permitted to receive dividends from Rockwood of up to $10.6 million without prior approval from the Pennsylvania Department of Insurance during 2022. Business and regulatory considerations may impact the amount of dividends actually paid and prior approval of dividend payments may be required.

Revolving Credit Facility and Term Loan

On November 2, 2018, each of Argo Group, Argo Group US, Inc., Argo International Holdings Limited, and Argo Underwriting Agency Limited (the “Borrowers”) entered into a $325 million credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement includes a one time borrowing of $125 million for a term loan (the “Term Loan”), and a $200 million revolving credit facility. The Company used most of the net proceeds from the Preferred Stock Offering (as defined in Note 11 “Shareholders’ Equity”) to pay off the Term Loan in September 2020. As of December 31, 2021, there were no borrowings outstanding and $40.3 million in LOCs against the revolving credit facility. The Credit Agreement matures on November 2, 2023.

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

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

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

Senior Notes

In September 2012, Argo Group International Holdings, Ltd. (the "Parent Guarantor"), through its subsidiary Argo Group U.S. (the "Subsidiary Issuer"), issued $143,750,000 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.

Floating Rate Loan Stock

We assumed certain debt through the acquisition of Syndicate 1200. These notes are unsecured and unsubordinated. All are redeemable subject to certain terms and conditions at a price up to 100% of the principal plus accrued and unpaid interest. Interest on the U.S. Dollar and Euro notes is due semiannually and quarterly, respectively. A summary of the notes outstanding at December 31, 2021 is presented below:

(in millions)

Currency	Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2021	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	4.35%	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	4.15%	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month Euribor + 4.0%	3.44%	13.5
Euro	10/31/2006	11/22/2036	3 month Euribor + 4.0%	3.44%	11.8
Euro	6/8/2007	9/15/2037	3 month Euribor + 3.9%	3.30%	15.2
Total Euro notes					40.5
Total notes outstanding					$ 57.0

Trust Preferred Securities

Through a series of trusts, that are wholly-owned subsidiaries (non-consolidated), we issued trust preferred securities. The interest on the underlying debentures is variable with the rates being reset quarterly and subject to certain interest rate ceilings. Interest payments are payable quarterly. The debentures are all unsecured and are subordinated to other indebtedness. All are redeemable subject to certain terms and conditions at a price equal to 100% of the principal plus accrued and unpaid interest.

A summary of our outstanding junior subordinated debentures at December 31, 2021 is presented below:

(in millions)

Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rate at December 31, 2021	Amount
Argo Group					
5/15/2003	PXRE Capital Statutory Trust II	5/15/2033	3M LIBOR + 4.10%	4.26%	$ 18.0
11/6/2003	PXRE Capital Trust VI	9/30/2033	3M LIBOR + 3.90%	4.12%	10.3
Argo Group US					
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	4.26%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	4.22%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	4.00%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	4.02%	12.4
5/12/2004	Argonaut Group Statutory Trust VI	6/17/2034	3M LIBOR + 3.80%	4.02%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	3.80%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	3.76%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	3.80%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	3.60%	30.9
	Total Outstanding				$ 172.7

Subordinated Debentures

Unsecured junior subordinated debentures with a principal balance of $91.8 million were assumed through the February 2017 acquisition of Maybrooke Holdings, S.A. (“the acquired debt”).The acquired debt is carried on our consolidated balance sheet at $85.5 million, which represents the debt’s fair value at the date of acquisition plus accumulated accretion of discount to par value, as required by accounting for business combinations under ASC 805. At December 31, 2021, the acquired debt was eligible for redemption at par. Interest accrues on the acquired debt based on a variable rate, which is reset quarterly. Interest payments are payable quarterly. A summary of the terms of the acquired debt outstanding at December 31, 2021 is presented below:

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2021	Principal at December 31, 2021	Carrying Value at December 31, 2021
9/13/2007	9/15/2037	3 month LIBOR + 3.15%	3.35 %	$ 91.8	$ 85.5

Letter of Credit Facilities

Argo Re may be required to secure its obligations under various reinsurance contracts in certain circumstances. In order satisfy these requirements, Argo Re has entered into one committed and two uncommitted secured bilateral LOC facilities with commercial banks and generally uses these facilities to issue LOCs in support of non-admitted reinsurance obligations in the U.S. and other jurisdictions. The committed LOC facility has a term of one year and includes customary conditions and event of default provisions. The issuance of LOCs using the uncommitted LOC facilities is at the discretion of the lenders. The availability of letters of credit under these secured facilities are subject to a borrowing base requirement, determined on the basis of specified percentages of the market value of eligible categories of securities pledged to the lender. On December 31, 2021, committed and uncommitted LOC facilities totaled $205 million.

In addition to the bilateral, secured letters of credit facilities described above, Argo Re can use other forms of collateral to secure these reinsurance obligations including trust accounts, cash deposits, LOCs issued by commercial banks on an uncommitted basis and the Credit Agreement.

On December 31, 2021, LOCs totaling $167.4 million were outstanding, of which $59.2 million were issued against the committed, secured bilateral LOC facility and $108.2 million were issued by commercial banks against the uncommitted, secured bilateral LOC facilities. Collateral with a market value of $193.9 million was pledged to these banks as security against these LOCs.

In November 2021, Argo Group executed a LOC facility with a commercial bank to issue LOCs in favor of Lloyd’s to support its Funds at Lloyd’s requirements. This facility has an initial term of one year, and is unsecured, renewable and includes customary conditions and event of default provisions. At December 31, 2021, a LOC in the amount of £26 million ($35.1 million) was issued in favor of Lloyd's, which allowed the Company to reduce its other collateral pledged to Lloyd's by a comparable amount.

Preferred Stock Offering

On July 9, 2020, the Company issued 6,000 shares of its Series A Preference Shares (equivalent to 6,000,000 depositary shares, each representing a 1/1,000th interest in a Series A Preference Share) with a $25,000 liquidation preference per share (equivalent to $25 per depositary share) (the "Preferred Stock Offering").

Net proceeds from the sale of the depositary shares were approximately $144 million after deducting underwriting discounts and estimated offering expenses payable by the Company. The Company used most of the net proceeds to repay its term loan, which had $125 million principal outstanding, and used the remainder of the proceeds for working capital to support continued growth in insurance operations.

Dividends to the Series A Preferences Shares will be payable on a non-cumulative basis only when, as and if declared by our Board or a duly authorized committee thereof, quarterly in arrears on the 15th of March, June, September, and December of each year, commencing on September 15, 2020, at a rate equal to 7.00% of the liquidation preference per annum (equivalent to $1,750 per Series A Preference Share and $1.75 per depositary share per annum) up to but excluding September 15, 2025. Beginning on September 15, 2025, any such dividends will be payable on a non-cumulative basis, only when, as and if declared by our Board or a duly authorized committee thereof, during each reset period, at a rate per annum equal to the Five-Year U.S. Treasury Rate as of the most recent reset dividend determination date (as described in the Company's prospectus supplement dated July 7, 2020) plus 6.712% of the liquidation preference per annum.

For the year ended December 31, 2021, the Board declared quarterly dividends in the aggregate amount of $1,750 per preferred share. Cash dividends paid for the year ended December 31, 2021 totaled $10.5 million.

Argo Group Common Shares and Dividends

For the year ended December 31, 2021, the Board declared quarterly dividends in the aggregate amount of $1.24 per share. Cash dividends paid for the year ended December 31, 2021 totaled $43.9 million.

On February 16, 2022, the Board declared a quarterly cash dividend in the amount of $0.31 on each share of common stock outstanding. The dividend will be paid on March 15, 2022 to our shareholders of record on February 28, 2022.

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

Financial Statement of Subsidiary Issuer

As discussed above, the Parent Guarantor, through its Subsidiary Issuer, issued $143,750,000 aggregate principal amount of the Notes. 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 December 31, 2021 and for the year ended December 31, 2021, of the Parent Guarantor and the Subsidiary Issuer. The Subsidiary Issuer is an indirect wholly-owned subsidiary of the Parent Guarantor. Investments in subsidiaries are accounted for by the Parent Guarantor under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are reflected in the Parent Guarantor's investment accounts and earnings.

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

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021
(in millions)

	Argo Group International Holdings, Ltd (Parent Guarantor)	Argo Group U.S., Inc. and Subsidiaries (Subsidiary Issuer)	Other Subsidiaries and Eliminations [1]	Consolidating Adjustments [2]	Total
Assets					
Investments	$ 14.5	$ 3,956.9	$ 1,351.2		$ 5,322.6
Cash	2.0	27.8	116.3		146.1
Accrued investment income	—	17.5	3.4		20.9
Premiums receivable	—	244.8	403.8		648.6
Reinsurance recoverables	—	1,850.4	1,116.0		2,966.4
Goodwill	—	118.5	28.8		147.3
Intangible assets, net	—	—	17.3		17.3
Current income taxes receivable, net	—	(5.5)	12.8		7.3
Deferred tax assets, net	—	38.7	34.9		73.6
Deferred acquisition costs, net	—	102.0	66.0		168.0
Ceded unearned premiums	—	340.2	166.5		506.7
Operating lease right-of-use assets	5.3	56.2	19.9		81.4
Other assets	5.2	103.4	103.0		211.6
Assets held for sale	—	—	—		—
Intercompany notes receivable	—	60.8	(60.8)		—
Investments in subsidiaries	1,740.8	—		(1,740.8)	—
Total assets	$ 1,767.8	$ 6,911.7	$ 3,379.1	$ (1,740.8)	$ 10,317.8
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 3,730.6	$ 1,864.4		$ 5,595.0
Unearned premiums	—	973.7	493.1		1,466.8
Ceded reinsurance payable, net	—	157.8	566.6		724.4
Funds held	—	320.3	(243.7)		76.6
Debt	28.4	284.6	142.5		455.5
Accrued underwriting expenses and other liabilities	3.6	78.6	84.4		166.6
Operating lease liabilities	5.3	64.3	28.1		97.7
Due to (from) affiliates	(4.7)	0.8	(0.8)	4.7	—
Total liabilities	32.6	5,610.7	2,934.6	4.7	8,582.6
Total shareholders' equity	1,735.2	1,301.0	444.5	(1,745.5)	1,735.2
Total liabilities and shareholders' equity	$ 1,767.8	$ 6,911.7	$ 3,379.1	$ (1,740.8)	$ 10,317.8

[1] Includes all other subsidiaries of Argo Group and all intercompany eliminations.

[2] Includes all Argo Group parent company eliminations.

CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2021
(in millions)

	Argo Group International Holdings, Ltd (Parent Guarantor)	Argo Group U.S., Inc. and Subsidiaries (Subsidiary Issuer)	Other Subsidiaries and Eliminations [1]	Consolidating Adjustments [2]	Total
Premiums and other revenue:					
Earned premiums	$ —	$ 1,277.1	$ 633.0	$ —	$ 1,910.1
Net investment income	—	135.5	52.1	—	187.6
Net realized investment (losses) gains	—	32.2	0.4	—	32.6
Total revenue	—	1,444.8	685.5	—	2,130.3
Expenses:					
Losses and loss adjustment expenses	—	890.8	423.8	—	1,314.6
Underwriting, acquisition and insurance expenses	6.2	448.9	247.2	—	702.3
Non-operating expenses	0.2	25.2	18.3	—	43.7
Interest expense	1.2	14.6	5.8	—	21.6
Fee and other expense (income), net	—	(0.4)	(1.6)	—	(2.0)
Foreign currency exchange losses	—	0.1	1.5	—	1.6
Impairment of intangibles	—	—	43.2	—	43.2
Total expenses	7.6	1,379.2	738.2	—	2,125.0
(Loss) income before income taxes	(7.6)	65.6	(52.7)	—	5.3
Provision (benefit) for income taxes	—	11.9	(13.3)	—	(1.4)
Net (loss) income before equity in earnings of subsidiaries	(7.6)	53.7	(39.4)	—	6.7
Equity in undistributed earnings of subsidiaries	14.3	—	—	(14.3)	—
Net income (loss)	$ 6.7	$ 53.7	$ (39.4)	$ (14.3)	$ 6.7
Dividends on preferred shares	10.5	$ —	$ —	$ —	10.5
Net income (loss) attributable to common shareholders	$ (3.8)	$ 53.7	$ (39.4)	$ (14.3)	$ (3.8)

[1] Includes all other subsidiaries of Argo Group and all intercompany eliminations.

[2] Includes all Argo Group parent company eliminations.

Transactions with Related Parties

The discussion of transactions with related parties is included in Note 22, "Transactions with Related Parties" in the Notes to the Consolidated Financial Statements, included in Item 8, "Financial Statements and Supplementary Data" beginning on page F-1.

Recent Accounting Pronouncements

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

Critical Accounting Estimates

Reserves for Losses and Loss Adjustment Expenses

We establish reserves for the estimated total unpaid costs of losses including loss adjustment expenses ("LAE"), for claims that have been reported as well as claims that have been incurred but not yet reported. Unless otherwise specified below, the term "loss reserves" encompasses reserves for both losses and LAE. Loss reserves reflect management's best estimate. Loss reserves established are not an exact calculation of our liability. Rather, loss reserves represent management's best estimate of our liability based on application of actuarial techniques and other projection methodologies and taking into consideration other facts and circumstances known at the balance sheet date. The process of establishing loss reserves is complex and necessarily imprecise, as it involves using judgment that is impacted by many internal and external variables such as past loss experience, current claim trends and the prevailing social, economic and legal environments. In determining loss reserves, we give careful consideration to all available data and applicable actuarial analyses.

The relevant factors and methodologies used to estimate loss reserves vary significantly by product line due to differences in loss exposure and claim complexity. Much of our business is underwritten on an occurrence basis, which can lead to a significant time lag between the event that gives rise to a claim and the date on which the claim is reported to us. Additional time may be required to resolve the claim once it is reported to us. During these time lags, which can span several years for complex claims, new facts and information specific to the claim become known to us. In addition, general econometric and societal trends including inflation may change. Any one of these factors may require us to refine our loss reserve estimates on a regular basis. We apply a strict regimen to assure that review of these facts and trends occurs on a timely basis so that this information can be factored into our estimate of future liabilities. However, due to the number and potential magnitude of these variables, actual paid losses in future periods may differ materially from our estimates as reflected in current reserves. These differences can be favorable or unfavorable. A more precise estimation of loss reserves is also hindered by the effects of growth in a line of business and uncertainty as to how new business performs in relation to expectations established through analysis of the existing portfolio. In addition to reserving for known claim events, we also establish loss reserves for IBNR. Loss reserves for IBNR are set using our actuarial estimates for events that have occurred as of the balance sheet date but have not yet been reported to us. Estimation of IBNR loss reserves is subject to significant uncertainty.

The following is a summary of gross and net loss reserves we recorded by line of business:

(in millions)	December 31, 2021 Gross	December 31, 2021 Net	December 31, 2020 Gross	December 31, 2020 Net
General liability	$ 3,086.1	$ 1,834.1	$ 2,670.0	$ 1,587.4
Workers compensation	514.5	280.5	526.8	284.9
Syndicate and US special property	528.4	181.8	391.8	108.0
Syndicate liability	190.6	121.4	410.0	239.1
Reinsurance - nonproportional assumed property	337.6	111.1	307.9	11.8
Commercial multi-peril	284.7	208.8	351.7	233.4
Syndicate marine and energy	138.2	77.9	171.3	106.7
Commercial auto liability	144.5	98.4	131.2	86.9
Syndicate specialty	60.2	41.1	121.3	76.0
Fidelity/Surety	54.4	25.0	59.6	38.4
All other lines	255.8	143.1	264.4	133.5
Total reserves	$ 5,595.0	$ 3,123.2	$ 5,406.0	$ 2,906.1

Loss Reserve Estimation Methods

The process for estimating our loss reserves begins with the collection and analysis of claim data. The data collected for actuarial analyses includes reported claims, paid losses and case reserve estimates sorted by the year the loss occurred. The data sets are sorted into homogeneous groupings, exhibiting similar loss and exposure characteristics. We primarily use internal data in the analysis but also consider industry data in developing factors and estimates. We analyze loss reserves on a quarterly basis.

We use a variety of actuarial techniques and methods to determine loss reserves for all lines of business. Each method has its own set of assumptions, and each has strengths and weaknesses depending on the exposures being evaluated. Since no single estimation method is superior to another method in all situations, the methods and assumptions used to project loss reserves will vary by line of business and, when appropriate, by where we attach on a risk. We use what we believe to be the most appropriate set of actuarial methods and assumptions for each product line grouping. While the loss projection methods may vary by product line, the general approach for calculating IBNR remains the same: ultimate losses are forecasted first, and that amount is reduced by the amount of cumulative paid claims and case reserves.

When we initially establish IBNR reserves at the beginning of an accident year for each line of business, we often use the expected loss ratio method. This method is based upon our analyses of historical loss ratios incorporating adjustments for pricing changes, anticipated loss ratio trends, changes in mix of business and any other factors that may impact loss ratio expectations. At the end of each quarter, we review the loss ratio selections and the emerged loss experience to determine if deviating from the loss ratio method is appropriate. In general, we continue to use the loss ratio method until we deem it appropriate to begin to rely on the experience of the accident year (“AY”) being evaluated. This weighing in of the AY experience is typically done by employing the Bornhuetter-Ferguson (“BF”) reserving methodology. The BF methods compute IBNR through a blend of the expected loss ratio method and traditional loss development methods. The BF methods estimate IBNR for an accident year as the product of expected losses (earned premium multiplied by an expected loss ratio) and an expected percentage of unreported losses. The expected percentage of unreported losses is derived from age-to-ultimate loss development factors that result from our analyses of loss development triangles. As accident years mature to the point at which the reported loss experience is more credible, we assign increasing weight to the paid and incurred loss development methods.

For short-tail lines of business such as property, we generally defer to the AY loss experience more quickly as the time from claim occurrence to reporting is generally short. In the event there are large claims incurred, we will analyze large loss information separately to ensure that the loss reserving methods appropriately recognize the magnitude of these losses in the evaluation of ultimate losses.

For long-tail lines such as general liability and automobile liability, the loss experience is not deemed fully credible for several years. At the end of the accident year, we rely primarily on the BF methods and continue to rely on those methods for several years. We assign greater weight to the paid and incurred development methods as the data matures. The judgement used in selecting actuarial assumptions and weighing the indications of the various actuarial methods in developing our ultimate loss selection may have a material impact on our reserves. Construction defect and professional liability claims are two examples where determining the ultimate claims liability can be complex and challenging. Claims on these lines are subject to greater inherent variability than is typical of the remainder of the Company's reserves, and are highly dependent upon court settlements, economic conditions, and the predictability of those results inherently have a larger range of potential outcomes. For example, for the construction defect lines the Company's reserve estimates for recent accident years rely heavily on expected loss ratios that are derived from analysis of rate changes, changes in underwriting, and other factors which are all effected by market conditions. While the Company believes the methods used to measure these changes are reasonable with input from the claims and underwriting departments, it is difficult to precisely measure the potential impacts on the Company's reserves.

Workers compensation is also a long-tail line of business, and is reserved for in keeping with other long-tailed business. However, a portion of the outstanding reserves correspond to scheduled indemnity payments and are not subject to extreme volatility. The portion of reserves that is not scheduled or annuitized is subject to potentially large variations in ultimate loss cost due to the uncertainty of medical cost inflation. Sources of medical cost inflation include increased use, new and more expensive medical testing procedures and prescription drugs costs.

We have a Run-off Lines segment that includes reserves for asbestos, environmental and other latent exposures. These latent exposures are typically characterized by extended periods of time between the dates an insured is first exposed to a loss, a claim is reported and the claim is resolved. For our Run-off Lines segment long-tail loss reserves, there is significant uncertainty involved in estimating reserves for asbestos, environmental and other latent injury claims. We use several methods to estimate reserves for these claims including an approach that projects future calendar period claims and average claim costs, a report year method which estimates loss reserves based on the pattern and magnitude of reported claims and ground-up analysis that relies on an evaluation of individual policy terms and conditions. We also consider survival ratio and market share methods which compare our level of loss reserves and loss payments to that of the industry for similar exposures. We apply greatest weight to the method that projects future calendar period claims and average claim costs because we believe it best captures the unique claim characteristics of our underlying exposures and loss development potential. We perform a full review of our Run-off Lines asbestos, environmental and other latent exposures loss reserves at least once a year and review loss activity quarterly for significant changes that might impact management's best estimate.

Each business segment is analyzed individually, with development characteristics for each short-tail and long-tail line of business identified and applied accordingly. In comparing loss reserve methods and assumptions used at December 31, 2021 as compared with methods and assumptions used at December 31, 2020, management has not changed or adjusted methodologies or assumptions in any significant manner.

In conducting our actuarial analyses, we generally assume that past patterns demonstrated in the data will repeat themselves and that the data provides a basis for estimating future loss reserves. In the event that we become aware of a material change that may render past experience inappropriate for the purpose of estimating current loss reserves, we will attempt to quantify the effect of the change and use informed management judgment to adjust loss reserve forecasts appropriately.

Uncertainties in Loss Reserve Estimation

The causes of uncertainty will vary for each product line reviewed. For short-tail property lines of business, we are exposed to catastrophe losses, both natural and man-made. Due to the nature of certain catastrophic loss events, such as hurricanes, earthquakes or terrorist attacks, our normal claims resolution processes may be impaired due to factors such as difficulty in accessing impacted areas and other physical, legal and regulatory impediments. These factors can make establishment of accurate loss reserve estimates difficult and render such estimates subject to greater uncertainty. Additionally, if the catastrophe occurs near the end of a financial reporting period, there are additional uncertainties in loss reserve estimates due to the lack of sufficient time to conduct a thorough analysis. Long-tail casualty lines of business also present challenges in establishing appropriate loss reserves, for example if changes in the legal environment occur over time which broaden our liability or scope of policy coverage and increase the magnitude of claim payments.

In all lines, final claim payments may differ from the established loss reserve. Due to the uncertainties discussed above, the ultimate losses may vary materially from current loss reserves and could have a material adverse or beneficial effect on our future financial condition, results of operations and cash flows. Any adjustments to loss reserves are reflected in the results for the year during which the adjustments are made.

In addition to the previously described general uncertainties encountered in estimating loss reserves, there are significant additional uncertainties in estimating the amount of our potential losses from asbestos and environmental claims. Loss reserves for asbestos and environmental claims normally cannot be estimated with traditional loss reserving techniques that rely on historical accident year development factors due to the uncertainties surrounding these types of claims. Among the uncertainties impacting the estimation of such losses are:

- potentially long waiting periods between exposure and emergence of any bodily injury or property damage;
- difficulty in identifying sources of environmental or asbestos contamination and in properly allocating responsibility and/or liability for damage;
- changes in underlying laws and judicial interpretation of those laws;
- potential for an environmental or asbestos claim to involve many insurance providers over many policy periods;
- long reporting delays from insureds to insurance companies;
- historical data concerning asbestos and environmental losses which is more limited than historical information on other types of claims;
- questions concerning interpretation and application of insurance coverage; and
- uncertainty regarding the number and identity of insureds with potential asbestos or environmental exposure.

Case reserves and expense reserves for costs of related litigation have been established where sufficient information has been developed. Additionally, IBNR has been established to cover additional exposure on known and unknown claims.

We underwrite environmental and pollution coverage on a limited number of policies and underground storage tanks. We establish loss reserves to the extent that, in the judgment of management, the facts and prevailing law reflect an exposure for us.

Risk Factors by Line of Business in Loss Reserve Estimation

The following section details reserving considerations and loss and LAE risk factors for the lines representing most of our loss reserves. Each risk factor presented will have a different impact on required loss reserves. Also, risk factors can have offsetting or compounding effects on required loss reserves. For example, introduction and approval of a more expensive medical procedure may result in higher estimates for medical costs. But in the workers compensation context, the availability of that same medical procedure may enable workers to return to work more quickly, thereby lowering estimates for indemnity costs for that line of business. As a result, it usually is not possible to identify and measure the impact that a change in one discrete risk factor may have or construct a meaningful sensitivity expectation around it. We do not make explicit estimates of the impact on loss reserve estimates for the assumptions related to the risk factors described below.

Loss adjustment expenses used in connection with our loss reserves are comprised of both allocated and unallocated expenses. Allocated loss adjustment expenses generally relate to specific claim files. We often combine allocated loss adjustment expenses with losses for purposes of projecting ultimate liabilities. For some types of claims, such as asbestos, environmental and professional liability, allocated loss adjustment expenses consisting primarily of legal defense costs may be significant, sometimes exceeding the liability to indemnify claimants for losses. Unallocated loss adjustment expenses generally relate to the administration and handling of claims in the ordinary course of business. We typically calculate unallocated loss adjustment expense reserves using a percentage of unpaid losses for each line of business.

General Liability

General liability is considered a long-tail line, as it takes a relatively long period of time to finalize and resolve all claims from a given accident year. The speed at which claims are received and then resolved is a function of the specific coverage provided, jurisdiction in which the claim is located and specific policy provisions. There are numerous components underlying the general liability product line. Some of these have relatively moderate payout patterns with most of the claims for a given accident year closed within five to seven years, while others, including claims alleging construction defect, are characterized by extreme time lags for both reporting and payment of claims. In addition, this line includes asbestos and environmental claims, which are reviewed separately because of the unique character of these exposures. Allocated loss adjustment expenses in this line consist primarily of legal costs and may exceed the total amount of the indemnity loss on some claims.

Major factors contributing to uncertainty in loss reserve estimates for general liability include reporting lags (i.e., the length of time between the event triggering coverage and the actual reporting of the claim), the number of parties involved in the underlying tort action, events triggering coverage that are spread over multiple time periods, the inability to know in advance what actual indemnity costs will be associated with an individual claim, the potential for disputes over whether claims were reasonably foreseeable and intended to be covered at the time the contracts were underwritten and the potential for mass tort claims and class actions. Generally, claims with a longer reporting lag time are characterized by greater inherent risk of uncertainty.

Examples of loss and LAE risk factors associated with general liability claims that can change over time and result in adjustments to loss reserves include, but are not limited to, the following:

Claims risk factors:
- Changes in claim handling procedures;
- Changes in policy provisions or court interpretation of such provisions;
- New theories of liability;
- Trends in jury awards;
- Changes in the propensity to sue, in general and with specificity to particular issues;
- Changes in statutes of limitations;
- Changes in the underlying court system;
- Changes in tort law;
- Shifts in law suit mix between U.S. federal and state courts; and
- Changes in inflation.

Book of Business risk factors:
- Changes in policy provisions (e.g., deductibles, policy limits, endorsements);
- Changes in underwriting standards; and
- Product mix (e.g., size of account, class, industries insured, jurisdiction mix).

Workers Compensation

Workers compensation is generally considered a long-tail coverage as it takes a relatively long period of time to finalize claims from a given accident year. Certain payments, such as initial medical treatment or temporary wage replacement for the injured worker, are generally disbursed quickly. Other payments may be made over the course of several years, such as awards for permanent partial injuries. Some payments continue to take place throughout the injured worker's life, such as permanent disability benefits and on-going medical care. Although long-tail in nature, claims generally are not subject to long reporting lags, settlements are generally not complex and most of the liability exposure is characterized by high frequency and moderate severity. The largest reserve risks are generally associated with low frequency, high severity claims that require lifetime coverage for medical expense arising from a worker's injury.

Examples of loss and LAE risk factors that can change over time and cause workers compensation loss reserves to fluctuate include, but are not limited to, the following:

Indemnity claims risk factors:
- Time required to recover from the injury;
- Degree of available transitional jobs;
- Degree of legal involvement;
- Changes in the interpretations and processes of the workers compensation commissions' oversight of claim;
- Future wage inflation for U.S. states that index benefits;
- Changes in the administrative policies of second injury funds; and

- Changes in benefit levels.

Medical claims risk factors:
- Changes in the cost of medical treatments, including prescription drugs, and underlying fee schedules;
- Frequency of visits to health providers;
- Number of medical procedures given during visits to health providers;
- Types of health providers used;
- Type of medical treatments received;
- Use of preferred provider networks and other medical cost containment practices;
- Availability of new medical processes and equipment;
- Changes in life expectancy;
- Changes in the use of pharmaceutical drugs; and
- Degree of patient responsiveness to treatment.

Book of Business risk factors:
- Injury type mix;
- Changes in underwriting standards; and
- Changing product mix based on insured demand.

Syndicate 1200 Liability and Property

Syndicate 1200 Liability is a long-tail line, and the risk factors are the same as discussed for General Liability except that Syndicate 1200 Liability does not include asbestos and environmental claims. Syndicate 1200 Property is a short-tail line. In general, paid and incurred loss development methods are used to forecast property losses.

We perform our loss reserve analysis on a syndicate basis, which represents 100% of the business underwritten by the syndicate. We use reinsurance to cede a proportion of its premium income and incurred losses to reinsurers. The percentage of the cession differs for each underwriting year of account. The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated unrecoverable amounts. Syndicate 1200 evaluates the reinsurance program in place for the class of business, claims experience for the year and security rating of the reinsurance companies involved.

Commercial Multiple Peril

Commercial multiple peril lines insure a combination of property and liability exposures, and therefore, include both short and long-tail coverage. Property coverage claims are generally resolved in a short period of time, while liability coverage claims generally require more time to resolve. The risk of fluctuation in loss reserves for this line is predominately associated with liability coverage with risk factors similar to other general liability lines described above.

Because commercial multiple peril lines involve both short-tail and long-tail coverage, we give weight to different methodologies in deriving estimated loss reserves based on the coverage being evaluated. In general, paid and incurred loss development methods are used to forecast property losses. For liability losses, due to the Claims and Book of Business risk factors described in the General Liability section above, we use several loss reserving methods to capture the development characteristics associated with these lines of business. Paid and incurred loss development, paid and incurred BF methods and a loss frequency/severity method are used in deriving estimated loss reserves.

Commercial Automobile Liability

The commercial automobile liability product line is a long-tail coverage, mainly due to exposures arising out of bodily injury claims. Losses in this line associated with bodily injury claims generally are more difficult to accurately estimate and take longer to resolve. Claim reporting lags also can occur. Examples of loss and LAE risk factors that can change over time and result in adjustments to commercial automobile liability loss reserves include, but are not limited to, the following:

Claims risk factors:
- Trends in jury awards;
- Changes in the underlying court system, including potential impacts from shutdowns associated with COVID-19;
- Changes in case law;
- Litigation trends;
- Subrogation opportunities;
- Changes in claim handling procedures;
- Frequency of visits to health providers;
- Number of medical procedures given during visits to health providers;
- Types of health providers used;
- Types of medical treatments received;
- Changes in cost of medical treatments; and
- Degree of patient responsiveness to treatment.

Book of Business risk factors:
- Changes in policy provisions (e.g., deductibles, policy limits, endorsements, etc.);
- Changes in mix of insured vehicles;
- Changes in underwriting standards;
- Gasoline prices; and
- Changes in macroeconomic factors including but not limited to unemployment statistics.

Reinsurance – Nonproportional Assumed Property

Assumed reinsurance incurred losses are inherently more volatile than those of primary insurers and reinsurers of risks that have an established historical pattern of loss development. The most significant uncertainty in reserves involves estimates of catastrophe losses. In reserving for catastrophe losses, estimates are influenced by underwriting and claim information provided by clients, clients' market shares, industry catastrophe models, industry loss estimates and internal analyses of this information. This reserving approach can cause significant development from initial loss estimates in the immediate wake of a catastrophe event due to the limited information available to us as a reinsurer regarding the actual underlying losses. This process can cause the ultimate estimates to differ significantly from initial projections.

The loss estimation process often begins with the identification of events with characteristics similar to the recent catastrophe (geographic location, wind speed, damageability, etc.), which then results in a list of the expected losses by contract from our proprietary risk-management system. Third-party modeling software is embedded in our proprietary risk-management system.

Concurrently, underwriting teams employ a market share approach as well as perform a thorough contract by contract analysis to identify potential changes to the expected loss estimates including IBNR by contract. The results of this initial process are updated when additional information becomes available. This information comes in the form of publicly available announcements, informal contact with brokers and/or clients, submission data and formal claim notices. As catastrophic events mature and reporting loss methods become more credible, sometimes as much as six to twelve months after the event or more, estimates of ultimate loss will rely more heavily on the actual claim experience arising from the event. In evaluating the loss estimates for catastrophic events, we use internal databases to establish projected reporting and payment patterns. Industry patterns from the Reinsurance Association of America, an insurance industry organization, are also employed.

Impact of changes in key assumptions on reserve volatility

We estimate reserves using a variety of methods, assumptions and data elements. The reserve estimation process includes explicit assumptions about a number of factors in the internal and external environment. Across most lines of business, the most important assumptions are future loss development factors applied to paid or reported losses to date. The trend in loss costs is also a key assumption, particularly in the most recent accident years, where loss development factors are less credible.

The following discussion includes disclosure of possible variations from current estimates of loss reserves due to a change in certain key assumptions. Each of the impacts described below is estimated individually, without consideration for any correlation among other key assumptions or among lines of business. Therefore, it could be misleading to take each of the amounts described below and add them together in an attempt to estimate volatility for reserves in total. The estimated variations in reserves due to changes in key assumptions discussed below are a reasonable estimate of possible variations that may occur in the future, likely over a period of several calendar years. It is important to note that the variations discussed herein are not exhaustive and are not meant to be a worst or best case scenario, and therefore, it is possible that future variations may be more than amounts discussed below.

Recorded gross reserves for general liability were $3,086.1 million, with approximately 3% of that amount related to run-off asbestos and environmental exposures as of December 31, 2021. For general liability losses relating to ongoing operations, reported loss development patterns are a key assumption for this line of business. Historically, assumptions on reported loss development patterns have been impacted by, among other things, emergence of new types of claims (e.g., construction defect claims) or a shift in the mixture between smaller, more routine claims and larger, more complex claims. We have reviewed the historical variation in reported loss development patterns for general liability losses deriving from continuing operations. If the reported loss development patterns change by 20%, a change that we have experienced in the past and that management considers possible, the estimated net reserve could change by $150.0 million, in either direction.

Similar to general liability, commercial multiple peril reserves are affected by reported loss development pattern assumptions. Recorded gross reserves for commercial multiple peril business were $284.7 million as of December 31, 2021. If the development patterns underlying our net reserves for this line of business change by 20%, the estimated net reserve could change by $15.0 million, in either direction.

Recorded gross reserves for workers compensation were $514.5 million as of December 31, 2021. The two most important assumptions for workers compensation reserves are loss development factors and loss cost trends, particularly medical cost inflation. Loss development patterns are dependent on medical cost inflation. Approximately 55% of the workers compensation net reserves are related to future medical costs. A review of National Council on Compensation Insurance data suggests that the annual growth in industry medical claim costs has varied from -2% to +13% since 1991. Across the entire reserve base, a 1% change in calendar year medical inflation could change the estimated net reserve by $15.0 million, in either direction.

Recorded gross reserves for commercial auto liability were $144.5 million as of December 31, 2021. A key assumption for commercial lines auto liability is the annual loss cost trend, particularly the severity trend component of loss costs. A 3% change in assumed annual severity is within the range of our historical experience and which management considers possible. A 3% change in assumed annual severity could change the estimated net reserve by $10.0 million, in either direction.

Recorded gross reserves for our Lloyd’s Syndicate 1200 business were $758.8 million as of December 31, 2021. Estimation of our international liability reserves are subject to late emergence and mix shifts between smaller, more routine claims and larger, more complex claims. Our international property reserves are analyzed by the characteristics of the underlying exposures. Property loss reserves are characterized by relatively short periods between occurrence, reporting, determination of coverage and ultimate claims settlement. These property loss reserves tend to be the most predictable. Catastrophic loss reserves tend to exhibit more volatility due to the nature of the underlying loss event which may cause delays and complexity in estimating ultimate loss exposure.

With respect to asbestos and environmental general liability losses, we wrote several different categories of insurance contracts that may cover asbestos and environmental claims. First, we wrote primary policies providing the first layer of coverage in an insured’s general liability insurance program. Second, we wrote excess policies providing higher layers of general liability insurance coverage for losses that exhaust the limits of underlying coverage. Third, we acted as a reinsurer assuming a portion of those risks from other insurers underwriting primary, excess and reinsurance coverage. Fourth, we participated in the London Market, underwriting both direct insurance and assumed reinsurance business. With regard to both environmental and asbestos claims, significant uncertainty limits the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid losses and related expenses. Traditional actuarial reserving techniques cannot reasonably estimate the ultimate cost of these claims, particularly during periods where theories of law are in a state of continued uncertainty. The degree of variability of reserve estimates for these types of exposures is significantly greater than for other more traditional general liability exposures, and as such, we believe there is a high degree of uncertainty inherent in the estimation of asbestos and environmental loss reserves.

In the case of the reserves for asbestos exposures, factors contributing to the high degree of uncertainty include inadequate loss development patterns, plaintiffs' expanding theories of liability, the risks inherent in major litigation and inconsistent emerging legal outcomes. Furthermore, over time, insurers, including Argo Group, have experienced significant changes in the rate at which asbestos claims are brought, claims experience of particular insureds and value of claims, making predictions of future exposure from past experience uncertain. For example, in the past, insurers in general, including Argo Group, have experienced an increase in the number of asbestos-related claims due to, among other things, plaintiffs' increased focus on new and previously peripheral defendants and an increase in the number of insureds seeking bankruptcy protection as a result of asbestos-related liabilities. Plaintiffs and insureds have sought to use bankruptcy proceedings, including "pre-packaged" bankruptcies, to accelerate the funding and amount of loss payments by insurers. In addition, some policyholders continue to assert new classes of claims for coverage to which an aggregate limit of liability may not apply. Further uncertainties include insolvencies of other insurers and reinsurers, delays in the reporting of new claims by insurers and reinsurers and unanticipated issues influencing our ability to recover reinsurance for asbestos and environmental claims. Management believes these issues are not likely to be resolved in the near future.

In the case of the reserves for environmental exposures, factors contributing to the high degree of uncertainty include expanding theories of liability and damages, the risks inherent in major litigation, inconsistent decisions concerning the existence and scope of coverage for environmental claims and uncertainty as to the monetary amount being sought by the claimant from the insured.

The reporting pattern for assumed reinsurance claims, including those related to asbestos and environmental claims is much longer than for direct claims. In many instances, it takes months or years to determine that the policyholder's own obligations have been met and how the reinsurance in question may apply to such claims. The delay in reporting reinsurance claims and exposures adds to the uncertainty of estimating the related reserves.

The factors discussed above affect the variability of estimates for asbestos and environmental reserves including assumptions with respect to the frequency of claims, average severity of those claims settled with payment, dismissal rate of claims with no payment and expense to indemnity ratio. The uncertainty with respect to the underlying reserve assumptions for asbestos and environmental adds a greater degree of variability to these reserve estimates than reserve estimates for more traditional exposures. While this variability is reflected in part in the size of the range of reserves we have developed, that range may still not be indicative of the potential variance between the ultimate outcome and the recorded reserves. The process of estimating asbestos and environmental reserves, which is detailed in Note 8, "Run-off Lines," of Notes to Consolidated Financial Statements, remains subject to a wide variety of uncertainties. Due to these uncertainties, further developments could cause us to change our estimates and ranges of our asbestos and environmental reserves, and the effect of these changes could be material to our consolidated operating results, financial condition and liquidity.

Loss Reserve Estimation Variability

After reviewing the output from various loss reserving methodologies, we select our best estimate of reserves. We believe that the aggregate loss reserves at December 31, 2021 were adequate to cover claims for losses that have occurred, including both known claims and claims yet to be reported. As of December 31, 2021, we recorded gross loss reserves of $5,595.0 million and loss reserves net of reinsurance of $3,123.2 million. Although our financial reports reflect our best estimate of reserves, it is unlikely that the final amount paid will exactly equal our best estimate. In order to provide an indication of the variability in loss reserve estimates, we develop reserve ranges by evaluating the variability implied by the results of the various methods and impact of changing the assumptions and factors used in the loss reserving process.

We estimate our range of reserves, net of reinsurance, at approximately $2,833.0 million to $3,432.0 million as of December 31, 2021. In determining this range, we evaluated the variability of the loss reserves for each of our major operating segments, comprising both ongoing operations and run-off businesses. Our estimated range does not make a specific provision for sources of unknown or unanticipated correlated events such as potential sources of liability not anticipated at the time coverage was afforded, such as asbestos. These events in combination with other events which may not be contemplated by management in developing our range may cause reserves to develop either more or less favorably than indicated by assumptions that we consider reasonable. This means that the range of reserve values does not represent the range of all possible favorable or unfavorable reserve outcomes, and actual ultimate paid losses may fall outside this range. No one risk factor has been isolated for the purpose of performing a sensitivity or variability analysis on that particular risk factor.

In establishing our best estimate for reserves, we consider facts currently known and the present judicial and legislative environment among other factors. However, given the expansion of coverage and liability by the courts, legislation in the recent past and possibility of similar interpretations in the future, particularly with regard to asbestos and environmental claims, additional loss reserves may develop in future periods. These potential increases cannot be reasonably estimated at the present time. Any increases could have an adverse impact on future operating results, liquidity, risk-based capital ratios and ratings assigned to our insurance subsidiaries by the nationally recognized insurance rating agencies.

Valuation of Investments

Our investments in fixed maturities and stocks are classified as available-for-sale and reported at fair value under GAAP. Changes in the fair value of fixed maturity investments classified as available-for-sale are not recognized in income during the period, but rather are recognized as a separate component of shareholders' equity until realized. Effective January 1, 2018, the Company adopted ASU 2016-1. As a result, all changes in the fair value of equity securities, whether temporary or other-than-temporary, are recognized in net realized investment (losses) gains in the Consolidated Statement of Income. Our investments in hedge and private equity funds and other private equity direct investments are accounted for under the equity method of accounting, with changes in the value of investments recognized in net investment income during the period. Fair values of these investments are estimated using prices obtained from third-party pricing services, where available. For securities where we are unable to obtain fair values from a pricing service or broker, fair values are estimated using information obtained from investment advisors. Management performed several processes to ascertain the reasonableness of investment values included in our consolidated financial statements at December 31, 2021, including (1) obtaining and reviewing internal control reports for our accounting service providers that obtain fair values from third-party pricing services, (2) obtaining and reviewing evaluated pricing methodology documentation from third-party pricing services and (3) comparing the security pricing received from a secondary third-party pricing service versus the prices used in our consolidated financial statements and obtained additional information for variances that exceeded a certain threshold. As of December 31, 2021,investments classified as available-for-sale for which we did not receive a fair value from a pricing service or broker accounted for less than 1% of our investment portfolio. The actual value at which such securities could be sold or settled with a willing buyer or seller may differ from such estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

Effective January 1, 2020, the Company adopted ASU 2016-13, requiring the Company to estimate expected credit losses on available-for-sale securities. Where we intend to sell or will be required to sell an investment prior to recovery, a credit loss will be recognized through income as a realized loss. For fixed maturities for which a decline in the fair value between amortized cost is due to credit-related factors, an allowance is established. If a decline in the value of a particular investment is believed to be non-credit-related, the decline is recorded as an unrealized loss, net of tax, in other comprehensive income as a separate component of shareholders' equity. We evaluate our investments for impairment. We regularly monitor the difference between the estimated fair values of our investments and their cost or book values to identify underperforming investments. 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 mortgage-backed securities, loss frequency and severity 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. Loss severity includes such factors as trends in overall housing prices and house prices that are obtained at foreclosure. For the year ended December 31, 2021, we recorded an allowance for credit losses of $2.5 million. In 2020, we recorded an allowance for credit losses of $6.6 million.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of Argo Group's United States, Brazil, Ireland, Italy, Switzerland, Belgium, Malta and U.K. subsidiaries' assets and liabilities. Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for deductible temporary differences and tax operating loss and tax credit carryforwards. The deferred tax assets and liabilities are measured by applying the enacted tax rates and laws in effect for the years in which such differences are expected to reverse. The components of our deferred tax asset are temporary differences primarily attributable to loss reserve discounting, unearned premium reserves and net operating loss carryforwards. Our deferred tax liabilities resulted primarily from unrealized gains from limited partnership interests, deferred acquisition costs, and lease liability.

The evaluation of the recoverability of our gross deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the net deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed. At each balance sheet date, management assesses the need to establish a valuation allowance that reduces deferred tax assets when it is more likely than not that all, or some portion, of the deferred tax assets will not be realized. The valuation allowance is based on all available information including projections of future taxable income from each tax-paying component in each tax jurisdiction, principally derived from business plans and available tax planning strategies. If our assumptions and estimates that resulted in our forecast of future taxable income for each tax-paying component prove to be incorrect, an additional valuation allowance could become necessary, which could have a material adverse effect on our financial condition and results of operations.

For additional information regarding our deferred tax assets and liabilities, please see Note 16, "Income Taxes" in the Notes to the Consolidated Financial Statements, included in Item 8, "Financial Statements and Supplementary Data" beginning on page F-1.

Indefinite-Lived Intangible Assets, including Goodwill

We perform annual impairment tests of our indefinite-lived intangible assets, including goodwill, or more frequently when impairment indicators exist. We perform our goodwill impairment test on the first day of the fourth quarter of each year.

At December 31, 2021, we had goodwill of $147.3 million assigned to our U.S. Operations reporting unit. Additionally, at December 31, 2021, we had indefinite-lived intangible assets of $17.3 million relating to our Lloyd's Syndicate 1200 reporting unit. Due to the nature of our Lloyd's Syndicate's business, for purposes of the annual impairment evaluation, we have aggregated the fair values between the indefinite-lived intangible asset and goodwill.

For the year ended December 31, 2021, we determined that the fair value of our Lloyd's Syndicate reporting unit was $43.2 million below our carrying value, identifying an impairment. We evaluated the carrying values of our intangible assets, and impaired our indefinite-lived intangible asset by $43.2 million, resulting in a revised carrying value of $17.3 million. For further discussion on this impairment, see Note 1, "Business and Significant Accounting Policies" in the Notes to the Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Our primary market risk exposure is the exposure of our fixed maturity investment portfolio to interest rate risk and the changes in interest rates. Fluctuations in interest rates have a direct impact on the fair value of these securities. As interest rates rise, the fair value of our fixed maturity portfolio falls and the converse is also true. We manage interest rate risk through an active portfolio management strategy that involves the selection of investments with appropriate characteristics such as duration, yield, currency and liquidity that are tailored to the anticipated cash outflow characteristics of our liabilities. A significant portion of our investment portfolio matures each year, allowing for reinvestment at current market rates. The model duration of the assets comprising our fixed maturity investment portfolio was 2.81 years and 2.78 years at December 31, 2021 and 2020, respectively.

Based upon a pricing model, we determine the estimated change in fair value of our fixed maturity and short term investments assuming immediate parallel shifts in the U.S. Treasury yield curve, while keeping spreads between the individual securities and treasuries static. The following tables present the estimated pre-tax impact on the fair value of our fixed maturity and short term investments resulting from changes of 50 to 100 basis points in market rates at December 31, 2021 and 2020.

December 31, 2021	-100	-50	Base	50	100
Fair value (in millions)	$ 5,012.7	$ 4,947.1	$ 4,879.1	$ 4,810.9	$ 4,742.6
Gain (loss) (in millions)	$ 133.5	$ 67.9	$ —	$ (68.3)	$ (136.6)

December 31, 2020	-100	-50	Base	50	100
Fair value (in millions)	$ 4,740.1	$ 4,702.4	$ 4,649.7	$ 4,592.4	$ 4,535.1
Gain (loss) (in millions)	$ 90.5	$ 52.7	$ —	$ (57.3)	$ (114.5)

Credit Risk

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

We also have exposure to credit risk in our investment holdings. Our risk-management strategy and investment policy attempts to mitigate this risk by primarily investing in debt instruments of high credit quality issuers, limiting credit concentration, monitoring the credit quality of issuers and counterparties and diversifying issuers. The weighted average rating of our fixed maturity investments was A+ with 89.4% and 91.2% rated investment grade or better (BBB- or higher) at December 31, 2021 and 2020, respectively.

We review our investments to identify and evaluate those that may have credit impairments on a quarterly basis, considering the historical performance of the security, available market information, and credit ratings, among other things. For fixed maturity securities, the review includes consideration of current ratings and actions of major rating agencies (Standard & Poor's, Moody's and Fitch). If a security has two ratings, the lower rating is used. If a security has three ratings, the middle rating is used. The following table reflects the credit quality of our fixed maturity portfolio at December 31, 2021:

Other Fixed Maturities	**Book Value**	**Fair Value**
AAA	$ 573.2	$ 576.5
AA	282.6	285.3
A	780.5	789.0
BBB	775.1	781.4
BB/B	226.3	226.1
CCC and Below	26.7	22.0
Unrated	132.0	132.1
Other Fixed Maturities	$ 2,796.4	$ 2,812.4

Structured Securities	**Book Value**	**Fair Value**
AAA	$ 1,090.4	$ 1,094.3
AA	104.2	105.6
A	105.9	105.2
BBB	39.4	39.1
BB/B	19.4	19.3
CCC and Below	0.4	0.5
Unrated	47.1	46.9
Structured Securities	$ 1,406.8	$ 1,410.9

Total Fixed Maturities	**Book Value**	**Fair Value**
AAA	$ 1,663.6	$ 1,670.8
AA	386.8	390.9
A	886.4	894.2
BBB	814.5	820.5
BB/B	245.7	245.4
CCC and Below	27.1	22.5
Unrated	179.1	179.0
Total Fixed Maturities	$ 4,203.2	$ 4,223.3

Our portfolio includes alternative investments with a carrying value at December 31, 2021 and 2020 of $387.2 million and $429.4 million (7.3% and 8.2% of total invested assets) respectively. These assets 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 $56.3 million and $176.7 million (1.1% and 3.4% of total invested assets) at December 31, 2021 and 2020, 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 our diversified portfolio of equity securities among various industries, market segments and company sizes 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 investments that are denominated in such currencies. We also use foreign exchange forward contracts to mitigate this risk. We recognized $33.2 million in gains and $18.0 million in losses from movements in foreign currency rates for the years ended December 31, 2021 and 2020, respectively. We recognized $41.9 million and $2.1 million in gains on our foreign currency forward contracts for the years ended December 31, 2021 and 2020, respectively.

Item 8. Financial Statements and Supplementary Data

The report of the independent auditors, consolidated financial statements of Argo Group and supplementary financial statements called for by this Item 8 are included in this report beginning on page F-1 and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Argo Group, under the supervision and with the participation of its management, including the CEO and Chief Financial Officer, evaluated the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the 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 CEO and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2021, 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.

Management's Report on Internal Control Over Financial Reporting

The management of Argo Group is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of the CEO and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2021, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission (2013 framework). As a result of the assessment, based on those criteria, management determined that we maintained effective internal control over financial reporting as of December 31, 2021.

Remediation of Prior Year Material Weakness

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, we had previously identified deficiencies in the Company's internal controls that aggregated to a material weakness. The deficiencies related to the timeliness and completeness of internal communication of certain relevant financial information within the Company, as well as in controls that used such information. These matters were identified in the following areas: intercompany transactions, such as foreign currency exchange gains and losses associated with a specific reinsurance contract, the allocation of certain corporate-level expenses to our subsidiary companies, the accounting for federal and state income taxes including the tax implications of certain intercompany transactions, the completeness and accuracy of information used in recording deferred tax balances, and the timeliness of analyses of income tax accounting.

Actions taken to remediate these deficiencies included the following:

- enhanced processes and governance around controls and communication between and among financial and operational functions;
- enhanced processes designed to ensure the timeliness of income tax accounting and analysis;
- implemented additional reconciliations and analytical procedures related to intercompany transactions;

- implemented additional technology solutions designed to ensure the completeness of intercompany transactions across the group; and
- reduced the number of manual processes involved in the financial close.

As a result of these remediation activities and, based on the result of the operating effectiveness testing we performed for the new and modified controls, management concluded that the above-described material weakness no longer exists as of December 31, 2021.

Change in Internal Control Over Financial Reporting

Other than the changes described above in “Remediation of Prior Year Material Weakness,” there were no changes in the internal control over financial reporting made during the quarter ended December 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We review our disclosure controls and procedures, including internal control over financial reporting, on an ongoing basis. From time to time, management makes changes to enhance the effectiveness of these controls and to ensure that they continue to meet the needs of our business activities over time.

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting as of December 31, 2021. The report, which expresses unqualified opinions on the effectiveness of our internal control over financial reporting as of December 31, 2021, is included in this Item under the heading “Attestation Report of Independent Registered Public Accounting Firm.”

Attestation Report of Independent Registered Public Accounting Firm

Report of Ernst & Young LLP

Report of Independent Registered Public Accounting Firm

The Shareholders and the Board of Directors of Argo Group International Holdings, Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Argo Group International Holdings, Ltd.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Argo Group International Holdings, Ltd. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedules listed in the Index at Item 15 (collectively referred to as the "financial statements") and our report dated March 16, 2022, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Antonio, Texas
March 16, 2022

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference is the information appearing under the captions "Information About Our Executive Officers," "Delinquent Section 16(a) Reports," "Corporate Governance" and "Proposal 1: Election of Directors" in our Proxy Statement to be filed with the SEC relating to our 2022 Annual Meeting of Shareholders.

Item 11. Executive Compensation

Incorporated herein by reference is the information appearing under the captions "Non-Employee Director Compensation," "Compensation Discussion and Analysis," "Human Resources Committee Report," "Executive Compensation" and "Human Resources Committee Interlocks and Insider Participation" in our Proxy Statement to be filed with the SEC relating to our 2022 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Incorporated herein by reference is the information appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement to be filed with the SEC relating to our 2022 Annual Meeting of Shareholders.

Equity Based Compensation Plans

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 our management team and the Board. The 2019 Plan authorizes 1,885,000 shares of common stock to be granted as equity-based awards. No further grants will be made under any prior plan; however, any awards under a prior plan that are outstanding as of the effective date shall remain subject to the terms and conditions of, and be governed by, such prior plan. Any awards issued under the 2019 Plan or any prior plan that are unexercised or unvested which expire, terminate, cash-settle, or are canceled, the number of shares underlying such awards will again be available for issuance under the 2019 Plan.

The following table sets forth information as of December 31, 2021 concerning our equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding, Options, Warrants and Rights	Weighted-Average Per Share Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by shareholders:			
Argo Group International Holdings, Ltd. 2019 Omnibus Incentive Plan	482,543	$ —	1,477,601
Argo Group International Holdings, Ltd. Employee Share Purchase Plan	—	—	401,102
Equity compensation plans not approved by shareholders	—	—	—
Total	482,543	$ —	1,878,703

As of December 31, 2021, equity compensation awards issued consist predominately of non-vested share awards, which do not have an exercise price.

Under the terms of the 2019 Plan, only awards that are to be settled in shares are included in the totals above. Additional information relating to our equity compensation plans is included in Note 14, "Share-based Compensation" in the Notes to Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions and Director Independence

Incorporated herein by reference is the information appearing under the captions “Related Persons Transactions” and “Director Independence” in our Proxy Statement to be filed with the SEC relating to our 2022 Annual Meeting of Shareholders.

Item 14. Principal Accounting Fees and Services

Incorporated herein by reference is the information appearing under the caption “Proposal 3: Approve Ernst & Young as our Independent Registered Public Accounting Firm and to Refer Determination of its Remuneration to the Audit Committee of the Board of Directors in our Proxy Statement to be filed with the SEC relating to our 2022 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Financial Statements

Selected Financial Data

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets—December 31, 2021 and 2020

Consolidated Statements of Income (Loss)

For the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements

(a) 2. Financial Statement Schedules

Schedule II—Condensed Financial Information of Registrant

December 31, 2021 and 2020

Schedule III—Supplemental Insurance Information

For the Years Ended December 31, 2021, 2020 and 2019

Schedule V—Valuation and Qualifying Accounts

For the Years Ended December 31, 2021, 2020 and 2019

Schedule VI—Supplemental Information for Property-Casualty Insurance Companies

For the Years Ended December 31, 2021, 2020 and 2019

All other schedules and notes specified under Regulation S-X are omitted because they are either not applicable, not required or the information called for therein appears in response to the items of Form 10-K or in the Consolidated Financial Statements and the related Notes to Consolidated Financial Statements of Argo Group and its subsidiaries listed on the above index.

(a) 3. Exhibits

The following exhibits are numbered in accordance with Item 601 of Regulation S-K and, except as noted, are filed herewith.

Exhibit Number	Description
3.1	Amended and Restated Memorandum of Association of Argo Group International Holdings, Ltd., formerly PXRE Group Ltd. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2007).
3.2	Amended and Restated Bye-Laws of Argo Group International Holdings, Ltd. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 20, 2020).
4.1	Form of Senior Indenture among Argo Group US, Inc., as Issuer, Argo Group International Holdings, Ltd., as Guarantor, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.3 of the Company's registration statement on Form S-3 filed with the Securities and Exchange Commission on September 18, 2012).
4.2	Form of First Supplemental Indenture Supplementing that Certain Senior Indenture among Argo Group US, Inc., as Issuer, Argo Group International Holdings, Ltd., as Guarantor, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 of the Company's Form 8-A filed with the Securities and Exchange Commission on September 21, 2012).
4.3	Form of 6.500% Senior Notes due 2042, included as Exhibit A to Form of First Supplemental Indenture referenced above in Exhibit 4.2 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-A filed with the Securities and Exchange Commission on September 21, 2012).
4.4	Certificate of Designations of 7.00% Resettable Fixed Rate Preference Shares, Series A, of Argo Group International Holdings, Ltd. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2020).
4.5	Form of Share Certificate evidencing 7.00% Resettable Fixed Rate Preference Share, Series A, of Argo Group International Holdings, Ltd. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2020).
4.6	Deposit Agreement, dated as of July 9, 2020, by and among Argo Group International Holdings, Ltd., American Stock Transfer & Trust Company, LLC, as Depositary, and the Holders from time to time of the Depositary Receipts (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2020).
4.7	Form of Depositary Receipt for Depositary Shares, included as part of Deposit Agreement referenced above in Exhibit 4.6 (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2020).
4.8	Description of Securities Registered Pursuant to Section 12 of Securities Exchange Act of 1934 (incorporated by reference to the Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2021).
10.1	Deed Poll Guarantee of Argo Group International Holdings, Ltd., formerly PXRE Group Ltd., in respect of PXRE Reinsurance Ltd., dated as of September 1, 2002 (incorporated by reference to Exhibit 10.3a to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 12, 2002).
10.2	$325,000,000 Credit Agreement, dated as of November 2, 2018, by and among Argo Group International Holdings, Ltd., Argo Group US, Inc., Argo International Holdings Limited and Argo Underwriting Agency Limited, as Borrowers, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and U.S. Bank National Association and HSBC Bank USA, N.A., as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2018).
10.3	Amendment No. 1 to the Credit Agreement, dated March 2, 2022, by and among Argo Group International Holdings, Ltd., Argo Group US, Inc., Argo International Holdings Limited and Argo Underwriting Agency Limited, as Borrowers, and JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and the other financial institutions signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2022).

Exhibit Number	Description
10.4	Argo Group International Holdings, Ltd. Employee Share Purchase Plan, amended and restated effective as of May 3, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 5, 2016).*
10.5	Argo Group International Holdings, Ltd. 2014 Long-Term Incentive Plan (incorporated by reference to Appendix I to the Company's Proxy Statement for the 2014 Annual General Meeting of Shareholders filed with the Securities and Exchange Commission on March 7, 2014).*
10.6	Argo Group International Holdings, Ltd. 2019 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on June 25, 2019).*
10.7	Argo Group International Holdings, Ltd. Executive Severance Plan (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2021).*
10.8	Form of Restricted Share Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 8, 2014).*
10.9	Form of Non-Employee Director Restricted Stock Agreement (incorporated by reference to the Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2021).*
10.10	Form of Incentive Award Agreement (Restricted Stock Awards and Cash Awards) - 2019 Omnibus Incentive Plan (incorporated by reference to the Exhibit 10.13 to the Company's Form 10-K filed with the Securities and Exchange Commission on March 15, 2021).*
10.11	Form of Employee Restricted Stock Award Agreement.*
10.12	Executive Employment Agreement, effective as of February 18, 2020, by and between Argo Group International Holdings, Ltd. and Kevin J. Rehnberg (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 13, 2020)*
10.13	Executive Employment Agreement, effective 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 the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2019).*
10.14	Separation and Transition Agreement and General Release, dated as of March 23, 2021, by and between Argo Group International Holdings, Ltd. and Jay S. Bullock (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2021).*
10.15	Employment Contract, dated as of August 1, 2017, by and between Argo Management Services Limited and Matthew Harris (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 6, 2021).*
10.16	Separation Agreement, dated as of August 9, 2021, by and between Argo Management Services Limited and Matthew Harris (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 12, 2021).*
10.17	Service Agreement, dated as of February 5, 2021, by and between Argo Management Services Limited and Scott Kirk (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 8, 2021).*
10.18	Employment Contract, dated as of May 12, 2014, by and between Argo Group International Holdings, Ltd. and Axel Schmidt (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2015).*
10.19	Termination and Settlement Agreement, dated as of July 8, 2020, by and between Argo Group International Holdings, Ltd. and Axel Schmidt (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 6, 2020).*

Exhibit Number	Description
10.20	Separation Agreement and General Release, dated as of August 27, 2021, by and between Argonaut Management Services, Inc. and Timothy Carter (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2021).*
10.21	International Assignment, dated March 14, 2019, between Argonaut Management Services, Inc. and Andrew Borst.*
10.22	End of International Assignment, dated June 24, 2020, between Argonaut Management Services, Inc. and Andrew Borst.*
10.23	Offer Letter, dated May 15, 2020, between Argonaut Management Services, Inc. and Allison D. Kiene.*
10.24	Cooperation Agreement, dated as of December 31, 2019, by and among Argo Group International Holdings Ltd., Voce Catalyst Partners LP, Voce Capital Management LLC, Voce Capital LLC and Voce Catalyst Partners New York LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2020).

Exhibit Number	Description
21	Subsidiaries of Registrant
22	Guaranteed Securities
23	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a—14(a)/15d – 14(a) Certification of Chief Executive Officer.
31.2	Rule 13a—14(a)/15d – 14(a) Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).
*	Denotes a management contract or compensatory plan or arrangement.
	Certain instruments defining the rights of the holders of long-term debt of the Company and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis, have not been filed as Exhibits on this report. The Company hereby agrees to furnish a copy of any of these agreements to the U.S. Securities and Exchange Commission upon request.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of 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.

By /s/ Thomas A. Bradley

Thomas A. Bradley

Interim Chief Executive Officer and Director

Date: March 16, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas A. Bradley Thomas A. Bradley	Interim Chief Executive Officer and Director (principal executive officer)	March 16, 2022
/s/ Scott Kirk Scott Kirk	Chief Financial Officer (principal financial and accounting officer)	March 16, 2022
/s/ Bernard C. Bailey Bernard C. Bailey	Director	March 16, 2022
/s/ Fred R. Donner Fred R. Donner	Director	March 16, 2022
/s/ Anthony P. Latham Anthony P. Latham	Director	March 16, 2022
/s/ Dymphna A. Lehane Dymphna A. Lehane	Director	March 16, 2022
/s/ Samuel G. Liss Samuel G. Liss	Director	March 16, 2022
/s/ Carol A. McFate Carol A. McFate	Director	March 16, 2022
/s/ Al-Noor Ramji Al-Noor Ramji	Director	March 16, 2022
Kevin J. Rehnberg	Director	March 16, 2022

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Argo Group International Holdings, Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Argo Group International Holdings, Ltd. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Reserves for losses and loss adjustment expenses

Description of the Matter	At December 31, 2021, the liability for incurred but not reported (IBNR) reserves represented a significant portion of the $5,595 million of reserves for losses and loss adjustment expenses (LAE). As discussed in Notes 1 and 7 to the consolidated financial statements, the reserves for losses and LAE is management's best estimate of the ultimate liability for indemnity costs and related adjustment expenses necessary to investigate and settle claims and is based upon individual case estimates for reported claims, estimates from ceding companies for reinsurance assumed and actuarial estimates for IBNR. The estimate considers a variety of factors and assumptions, such as catastrophic events, payout patterns, litigation trends, and economic and legal conditions. These factors and assumptions involve significant uncertainties and management judgements. In particular general liability (which includes claims related to construction defect), workers compensation, and other casualty lines of business contain exposures that develop or are paid over a long period of time or have high potential severities depending on the selection and weighting of actuarial techniques applied to project the ultimate losses and the selection of assumptions (such as claims frequency and severity, review of historical settlement patterns, etc.). Auditing management's best estimate of the reserves for losses and loss adjustment expenses was complex and involved the use of our actuarial specialists due to the significant measurement uncertainty associated with the estimation and high degree of subjectivity in evaluating management's methods and assumptions including, selection and weighting of actuarial techniques, review of historical settlement patterns, and ultimate losses.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the process to estimate the reserves balance, including, among others, controls over the review and approval processes that management has in place for the methods and assumptions used in estimating the reserves, as well as the final determination of the reserve losses and LAE. Our audit procedures included, among others, involving our actuarial specialists to assist in our evaluation of the actuarial methodologies applied and assumptions used by management in determining reserves, which included, comparing management's methods to those used in prior periods and those used in the industry for similar lines of business. To evaluate the significant assumptions used in their analyses we compared the assumptions, including loss development and settlement patterns, to factors historically used and independently developed assumptions for general liability, workers' compensation, and other casualty lines of business. We compared management's recorded reserves to our independently calculated range of reasonable reserve estimates and assessed the development of prior year reserves.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

San Antonio, Texas
March 16, 2022

CONSOLIDATED BALANCE SHEETS

(in millions, except number of shares and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: 2021 - $4,203.2, 2020 - $3,981.1; allowance for expected credit losses: 2021 - $2.5, 2020 - $6.6)	$ 4,223.3	$ 4,107.1
Equity securities, at fair value (cost: 2021 - $70.3; 2020 - $162.5)	56.3	176.7
Other investments (cost: 2021 - $387.0; 2020 - $429.4)	387.2	429.4
Short-term investments, at fair value (cost: 2021 - $655.4; 2020 - $541.4)	655.8	542.6
Total investments	5,322.6	5,255.8
Cash	146.1	148.8
Accrued investment income	20.9	21.8
Premiums receivable	648.6	679.8
Reinsurance recoverables	2,966.4	3,009.0
Goodwill	147.3	147.3
Intangible assets, net of accumulated amortization	17.3	60.5
Current income taxes receivable, net	7.3	3.0
Deferred tax asset, net	73.6	16.7
Deferred acquisition costs, net	168.0	163.6
Ceded unearned premiums	506.7	575.1
Operating lease right-of-use assets	81.4	82.0
Other assets	211.6	294.7
Assets held for sale	—	7.7
Total assets	$ 10,317.8	$ 10,465.8
Liabilities and Shareholders' Equity		
Reserves for losses and loss adjustment expenses	$ 5,595.0	$ 5,406.0
Unearned premiums	1,466.8	1,464.8
Accrued underwriting expenses and other liabilities	166.6	167.6
Ceded reinsurance payable, net	724.4	950.4
Funds held	76.6	64.7
Senior unsecured fixed rate notes	140.3	140.2
Other indebtedness	57.0	60.7
Junior subordinated debentures	258.2	257.8
Operating lease liabilities	97.7	95.8
Total liabilities	8,582.6	8,608.0
Commitments and contingencies (Note 18)		
Shareholders' equity:		
Preferred shares and additional paid-in capital - $1.00 par, 30,000,000 shares authorized; 6,000 and 6,000 shares issued at December 31, 2021 and December 31, 2020, respectively; liquidation preference $25,000	144.0	144.0
Common shares - $1.00 par, 500,000,000 shares authorized; 46,192,867 and 46,009,966 shares issued at December 31, 2021 and December 31, 2020, respectively	46.2	46.0
Additional paid-in capital	1,386.4	1,380.2
Treasury shares (11,315,889 shares at December 31, 2021 and December 31, 2020, respectively)	(455.1)	(455.1)
Retained earnings	636.4	684.1
Accumulated other comprehensive income, net of taxes	(22.7)	58.6
Total shareholders' equity	1,735.2	1,857.8
Total liabilities and shareholders' equity	$ 10,317.8	$ 10,465.8

See accompanying notes.

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

	For the Years Ended December 31,		
	2021	2020	2019
Premiums and other revenue:			
Earned premiums	$ 1,910.1	$ 1,780.5	$ 1,729.7
Net investment income	187.6	112.7	151.1
Net realized investment gains (losses):			
Net realized investment gains (losses)	72.4	26.0	120.9
Change in fair value recognized	(40.4)	10.3	(40.8)
Change in allowance for credit losses on fixed maturity securities	0.6	(39.9)	—
Net realized investment gains (losses)	32.6	(3.6)	80.1
Total revenue	2,130.3	1,889.6	1,960.9
Expenses:			
Losses and loss adjustment expenses	1,314.6	1,208.8	1,220.7
Underwriting, acquisition and insurance expenses	702.3	667.7	666.0
Non-operating expenses	43.7	21.1	37.6
Interest expense	21.6	26.9	34.1
Fee and other (income) expense, net	(2.0)	(3.9)	(3.3)
Foreign currency exchange (gains) losses	1.6	15.4	(9.8)
Impairment of intangibles	43.2	—	15.6
Total expenses	2,125.0	1,936.0	1,960.9
Income (loss) before income taxes	5.3	(46.4)	—
Income tax provision (benefit)	(1.4)	7.7	14.1
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Dividends on preferred shares	10.5	4.6	—
Net loss attributable to common shareholders	$ (3.8)	$ (58.7)	$ (14.1)
Net loss attributable to common shareholders per common share:			
Basic	$ (0.11)	$ (1.70)	$ (0.41)
Diluted	$ (0.11)	$ (1.70)	$ (0.41)
Dividend declared per common share	$ 1.24	$ 1.24	$ 1.24
Weighted average common shares:			
Basic	34,816,160	34,614,813	34,205,954
Diluted	34,816,160	34,614,813	34,205,954

	For the Years Ended December 31,		
	2021	2020	2019
Net realized investment gains (losses) before other-than-temporary impairment losses	$ 32.6	$ (3.6)	$ 100.4
Other-than-temporary impairment losses recognized in earnings:			
Other-than-temporary impairment losses on fixed maturities	—	—	(20.3)
Investment impairment losses recognized in earnings	—	—	(20.3)
Net realized investment (losses) gains	$ 32.6	$ (3.6)	$ 80.1

See accompanying notes.

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

	For the Years Ended December 31,		
	2021	2020	2019
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Other comprehensive income (loss):			
Foreign currency translation adjustments	2.6	(15.3)	(0.2)
Defined benefit pension plans:			
Net gain arising during the year	1.9	(0.6)	(1.8)
Unrealized gains (losses) on fixed maturity securities:			
(Losses) gains arising during the year	(94.7)	95.2	88.0
Reclassification adjustment for losses (gains) included in net income	(12.2)	(12.8)	9.9
Other comprehensive (loss) income before tax	(102.4)	66.5	95.9
Income tax provision related to other comprehensive income (loss):			
Defined benefit pension plans:			
Net gain arising during the year	0.4	(0.1)	(0.4)
Unrealized gains (losses) on fixed maturity securities:			
(Losses) gains arising during the year	(17.3)	16.5	14.2
Reclassification adjustment for (gains) losses included in net income	(4.2)	—	1.2
Income tax (benefit) provision related to other comprehensive income (loss)	(21.1)	16.4	15.0
Other comprehensive (loss) income, net of tax	(81.3)	50.1	80.9
Comprehensive (loss) income	$ (74.6)	$ (4.0)	$ 66.8

See accompanying notes.

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

	Preferred Shares and Additional Paid-in Capital	Common Shares	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, January 1, 2019	$ —	$ 45.3	$ 1,372.0	$ (455.1)	$ 850.9	$ (78.1)	$ 1,735.0
Net loss	—	—	—		(14.1)	—	(14.1)
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	—	82.5	82.5
Other comprehensive loss, net of tax	—	—	—	—	—	(1.6)	(1.6)
Activity under stock incentive plans	—	0.6	15.7	—	—	—	16.3
Retirement of common shares (tax payments on equity compensation)	—	(0.2)	(13.6)	—	—	—	(13.8)
Employee stock purchase plan	—	—	2.5	—	—	—	2.5
Cash dividend declared - common shares ($1.24/ share)	—	—	—	—	(43.1)	—	(43.1)
Balance, December 31, 2019	—	45.7	1,376.6	(455.1)	793.7	2.8	1,763.7
Net loss	—	—	—	—	(54.1)	—	(54.1)
Preferred shares issued	144.0	—	—	—	—	—	144.0
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	—	65.9	65.9
Other comprehensive loss, net of tax	—	—	—	—	—	(15.8)	(15.8)
Activity under stock incentive plans	—	0.4	7.7	—	—	—	8.1
Retirement of common shares (tax payments on equity compensation)	—	(0.1)	(6.6)	—	—	—	(6.7)
Employee stock purchase plan	—	—	2.5	—	—	—	2.5
Dividends on preferred shares	—	—	—	—	(4.6)	—	(4.6)
Cash dividend declared - common shares ($1.24/ share)	—	—	—	—	(43.0)	—	(43.0)
Cumulative effect of adoption of ASU 2016-13, net of taxes	—	—	—	—	(7.9)	5.7	(2.2)
Balance, December 31, 2020	144.0	46.0	1,380.2	(455.1)	684.1	58.6	1,857.8
Net income	—	—	—	—	6.7	—	6.7
Other comprehensive loss - change in fair value of fixed maturities, net of taxes	—	—	—	—	—	(85.4)	(85.4)
Other comprehensive income, net - other	—	—	—	—	—	4.1	4.1
Activity under stock incentive plans	—	0.2	6.9	—	—	—	7.1
Retirement of common shares (tax payments on equity compensation)	—	(0.1)	(2.7)	—	—	—	(2.8)
Employee stock purchase plan	—	0.1	2.0	—	—	—	2.1
Dividends on preferred shares	—	—	—	—	(10.5)	—	(10.5)
Cash dividend declared - common shares ($1.24/ share)	—	—	—	—	(43.9)	—	(43.9)
Balance, December 31, 2021	$ 144.0	$ 46.2	$ 1,386.4	$ (455.1)	$ 636.4	$ (22.7)	$ 1,735.2

See accompanying notes.

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

	For the Years Ended December 31,		
	2021	2020	2019
Cash flows provided by operating activities:			
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Amortization and depreciation	43.4	33.2	27.3
Share-based payments expense	8.0	8.7	16.9
Deferred income tax benefit, net	(38.6)	(21.6)	(23.5)
Net realized investment (gains) losses	(32.6)	3.6	(80.1)
Undistributed earnings from alternative investment portfolio	(95.5)	(8.6)	(19.9)
Loss on disposals of long-lived assets, net	23.3	5.5	7.2
Impairment of goodwill and intangibles	43.2	—	15.6
Change in:			
Accrued investment income	0.8	3.9	1.5
Receivables	47.4	84.8	(455.1)
Deferred acquisition costs	0.8	(4.6)	7.0
Ceded unearned premiums	65.7	(33.2)	(87.8)
Reserves for losses and loss adjustment expenses	210.8	280.2	509.0
Unearned premiums	7.2	63.7	111.7
Ceded reinsurance payable and funds held	(207.3)	(238.2)	243.3
Income taxes	(4.5)	(17.5)	11.4
Accrued underwriting expenses and other liabilities	3.0	(43.7)	(10.6)
Other, net	17.9	9.8	(77.0)
Cash provided by operating activities	99.7	71.9	182.8
Cash flows used in investing activities:			
Sales of fixed maturity investments	992.9	1,080.0	1,394.3
Maturities and mandatory calls of fixed maturity investments	717.7	569.8	522.2
Sales of equity securities	125.8	25.4	374.7
Sales of other investments	212.3	103.9	83.1
Purchases of fixed maturity investments	(1,932.9)	(2,038.1)	(1,859.1)
Purchases of equity securities	(5.3)	(78.9)	(61.2)
Purchases of other investments	(47.4)	(35.5)	(63.7)
Change in foreign regulatory deposits and voluntary pools	(27.1)	(5.4)	—
Change in short-term investments	(116.4)	285.4	(490.4)
Settlements of foreign currency exchange forward contracts	(1.2)	9.4	0.3
Proceeds from sale of Ariel Re, net of cash transferred	—	28.3	—
Proceeds from sale of Trident assets	—	38.0	—
Sale (Purchases) of fixed assets, net	18.0	(20.2)	(29.9)
Other, net	7.7	13.6	(13.1)
Cash used in investing activities	(55.9)	(24.3)	(142.8)
Cash flows from financing activities:			
Payment of long-term debt	—	(125.0)	(0.6)
Issuance of preferred shares, net of issuance costs	—	144.0	—
Activity under stock incentive plans	1.3	1.8	1.9
Payment of cash dividends to preferred shareholders	(10.5)	(4.6)	—
Payment of cash dividends to common shareholders	(43.7)	(43.0)	(43.1)
Cash used in financing activities	(52.9)	(26.8)	(41.8)
Effect of exchange rate changes on cash	6.4	(9.8)	(0.1)
Change in cash	(2.7)	11.0	(1.9)
Cash, beginning of year	148.8	137.8	139.7
Cash, end of period	$ 146.1	$ 148.8	$ 137.8

See accompanying notes.

1. Business and Significant Accounting Policies

Business

Argo Group International Holdings, Ltd. ("Argo Group," "we" or the "Company") is an underwriter of specialty insurance products in the property and casualty market. Argo Group U.S., Inc. ("Argo Group U.S.") is a subsidiary of Argo Financial Holding (Ireland) UC ("Argo Ireland"). Argo Underwriting Agency Limited ("Syndicate 1200") is a subsidiary of Argo International Holdings, Ltd., Argo Re Ltd. ("Argo Re"), a Bermuda based company, is the parent of both Argo Ireland and Argo International Holdings, Ltd. Argo Re is directly owned by Argo Group.

On February 15, 2022, we completed the sale of our Brazilian operations, Argo Seguros Brasil S.A. ("Argo Seguros"), to Spice Private Equity Ltd., an investment company focused on global private equity investments. For further disclosures see Note 2, "Recent Acquisitions, Disposals & Other Transactions." Effective November 25, 2020, we completed the sale of Ariel Re, to Pelican Ventures and J.C. Flowers & Co. Ariel Re is the reinsurance platform through which Lloyd's Syndicate 1910 reinsurance business is underwritten. Under the terms of the agreement, the buying group's corporate member provided Syndicate 1910's capital for the 2021 Lloyd's year of account, and Argo Group has agreed to retain historical reserves and the remaining exposure for the 2020 and prior Lloyd's years of account.

We conduct our ongoing business through two primary segments - U.S. Operations and International Operations. In addition to these main business segments, we have a Run-off Lines segment for certain products we no longer underwrite.

U.S. Operations is comprised of the Excess and Surplus Lines businesses focusing on the U.S.-based risks that the standard, admitted insurance market is unwilling or unable to write, and through other specialized admitted and non-admitted business distributed through retail, wholesale, and managing general brokers/agents in the specialty insurance market. Excess and Surplus Lines products are underwritten by Colony Insurance Company ("Colony"). The other U.S. specialized admitted and non-admitted businesses consist of the following operations: Argo Pro, U.S. Specialty Programs, Argo Surety, Rockwood Casualty Insurance Company ("Rockwood"), Argo Insurance and Inland Marine.

International Operations is comprised of the Lloyd's Syndicate platform (Syndicate 1200), Argo Insurance Bermuda, Continental Europe and Latin America. Syndicate 1200 insurance products are underwritten by Argo Underwriting Agency Limited based in London, under the Lloyd's of London ("Lloyd's") global franchise. The additional International Operations business include ArgoGlobal SE in Malta, ArgoGlobal Assicurazoni in Italy, and Argo Seguros in Brazil. These businesses provide a broad range of commercial property, casualty, professional liability and specialty coverages in a number of countries and jurisdictions outside the United States ("U.S.").

Our *Run-off Lines* segment includes liabilities associated with other liability policies that were issued in the 1960s, 1970s and into the 1980s, as well as the former risk-management business and other business no longer underwritten.

Basis of Presentation and Use of Estimates

The consolidated financial statements of Argo Group and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The major estimates reflected in our consolidated financial statements include, but are not limited to, reserves for losses and loss adjustment expenses; reinsurance recoverables, including the reinsurance recoverables allowance for expected credit losses; estimates of written and earned premiums; reinsurance premium receivable; fair value of investments and assessment of potential impairment, including the allowance for credit losses on fixed maturity securities; valuation of goodwill and intangibles and our deferred tax asset valuation allowance. Actual results could differ from those estimates.

Specifically, estimates for reserves for losses and loss adjustment expenses are based upon past claim experience modified for current trends as well as prevailing economic, legal and social conditions. Although management believes that amounts included in the accompanying consolidated financial statements are reasonable, such estimates may be more or less than the amounts ultimately paid when the claims are settled. The estimates are continually reviewed and any changes are reflected in current operating results. Further, the nature of loss exposures involves significant variability due to the nature of the long-tailed payments on certain claims. As such, losses and loss adjustment expenses could vary significantly from the recorded amounts.

The consolidated financial statements include the accounts and operations of Argo Group and its subsidiaries. All material intercompany accounts and transactions have been eliminated. In order to conform the 2020 and 2019 consolidated statements of income (loss) to the 2021 presentation the Company has (a) offset fee income to fee expense, and (b) reclassified amounts from net realized investment gain (losses) and underwriting, acquisition and insurance expenses to non-operating expenses. Amounts related to trade capital providers, who are third-party capital participants that provide underwriting capital to Syndicate 1200 are included in the balance sheet. Trade capital providers participate on a quota share basis, assuming 100% of their contractual participation in the underwriting syndicate results and with such results settled on a year of account basis.

We have evaluated our investment in our eleven statutory trusts (collectively, the “Trusts”) and one charitable foundation (the “Foundation”) under the Financial Accounting Standards Board’s (“FASB’s”) provisions for consolidation of variable interest entities under Accounting Standards Codification (“ASC”) Topic 810-10, “Consolidation,” as amended. We determined that the Trusts and the Foundation are variable interest entities due to the fact that the Trusts and the Foundation do not have sufficient equity to finance their activities without additional subordinate financial support from other parties. We do not have any power to direct the activities that impact the Trusts’ or the Foundation’s economic performance. We are not entitled to receive a majority of the residual returns of the Trusts. Additionally, we are not responsible for absorbing the majority of the expected losses of the Trusts; therefore, we are not the primary beneficiary and, accordingly, the Trusts are not included in our consolidated financial statements. The expenses and donations of the charitable foundation in Bermuda are paid by Argo Group and have been included in the consolidated results.

Risks and Uncertainties Related to COVID-19

Certain risks and uncertainties are inherent to our day-to-day operations. Adverse changes in the economy could lower demand for our insurance products or negatively impact our investment results, both of which could have an adverse effect on the revenue and profitability of our operations. The global COVID-19 pandemic has resulted in and may continue to result in significant disruptions in economic activity and financial markets. The cumulative effects of COVID-19 on the Company, and the effect of any other public health outbreak, cannot be predicted at this time, but could reduce demand for our insurance policies, result in increased level of losses, settlement expenses or other operating costs, reduce the market value of invested assets held by the Company or negatively impact the fair value of our goodwill. Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during the year ended December 31, 2021.

Cash

Cash consists of cash deposited in operating accounts with commercial banks. Interest-bearing cash accounts are classified as short term investments.

Investments

Investments in fixed maturities at December 31, 2021 and 2020 include bonds and structured securities. Equity securities include common stocks, preferred stocks and mutual funds. Other investments consist of foreign regulatory deposits, hedge funds, private equity funds, private equity direct investments, and voluntary pools. Short-term investments consist of money market funds, certificates of deposit, bonds, sovereign debt and interest-bearing cash accounts. Investments maturing in less than one year are classified as short-term investments in our consolidated financial statements.

The amortized cost of fixed maturity securities is adjusted for amortization of premiums and accretion of discounts. This amortization or accretion is included in “Net investment income” in our Consolidated Statements of Income (Loss).

For the structured securities portion of the fixed maturity securities portfolio, we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. Premium or discount on high investment grade securities (rated AA or higher) is amortized into income using the retrospective method. Premium or discount on lower grade securities (rated less than AA) is amortized into income using the prospective method.

Our investments in fixed maturities are considered available-for-sale and are carried at fair value. As available-for-sale investments, changes in the fair value of fixed maturities are not recognized in income during the period, but rather are recognized as a separate component of shareholders' equity until realized. Fair value of these investments is estimated using prices obtained from third-party pricing services, where available. For securities where we were unable to obtain fair values from a pricing service or broker, fair values were estimated using information obtained from investment advisors. We performed several processes to ascertain the reasonableness of these investment values by (1) obtaining and reviewing internal control reports for our service providers that obtain fair values from third-party pricing services, (2) obtaining and reviewing evaluated pricing methodology documentation from third-party pricing services and (3) comparing the security pricing received from a secondary third-party pricing service versus the prices used in the consolidated financial statements and obtaining additional information for variances that exceeded a certain threshold. As of December 31, 2021, investments reported at fair value for which we did not receive a fair value from a pricing service or broker accounted for less than 1% of our investment portfolio. The actual value at which such securities could be sold or settled with willing buyer or seller may differ from such estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller. The cost of securities sold is based on the specific identification method.

Our investments in equity securities are reported at fair value, changes in the fair value of equity securities are now included in "Net realized investment (gains) losses" in our consolidated statements of income.

Changes in the value of other investments consisting of hedge funds, private equity funds, private equity direct investments and voluntary pools are principally recognized in income during the period using the equity method of accounting. Our 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. The underlying assets are invested in government securities, agency securities and corporate bonds whose values are obtained from Lloyd's. Foreign currency future contracts held by us are valued by our counterparties using market driven foreign currency exchanges rates.

We regularly review our investments to identify and evaluate those that may have credit impairments. For fixed maturity securities, the evaluation for credit losses is generally based on the present value of expected cash flows of the security as compared to the amortized book value, the financial condition, near-term and long-term prospects for the issuer, including industry conditions, implications of rating agency actions, the likelihood of principal and interest recoverability and whether it is more likely than not we will be required to sell the investment prior to the anticipated recovery in value.

Effective January 1, 2020 with the adoption of ASU 2016-13 Financial Instruments-Credit Losses, we recognize credit losses on fixed maturities through an allowance account. For fixed maturities that we do not intend to sell or for which it is more likely than not we will not be required to sell prior to the anticipated recovery in value, we separate the credit component of the impairment from the component related to all other market factors and report the credit loss component to net realized investment gains (losses) in the Consolidated Statement of Income (Loss). The impairment related to all other market factors is reported as a separate component of shareholder's equity in other comprehensive income (loss). The credit loss allowance account is adjusted for any additional credit losses or subsequent recoveries and the cost basis of the fixed maturity security is not adjusted.

For fixed maturity securities that we intend to sell or for which it is more likely than not that we will be required to sell before an anticipated recovery in value, the full amount of the impairment is recognized in net realized investment gains (losses) in the Consolidated Statement of Income and the cost basis of the fixed maturity security is adjusted to reflect the recognized realized loss. The new cost basis is not adjusted for any recoveries in fair value.

We report accrued investment income separately from fixed maturity securities and have elected to not measure an allowance for credit losses for accrued investment income. The write-off of investment income accrued for fixed maturities that have defaulted on interest payments is recognized as a loss in net realized investment gains (losses), in the period of the default, in the Consolidated Statement of Income (Loss).

All investment balances include amounts relating to trade capital providers. The results of operations and other comprehensive income exclude amounts relating to trade capital providers. Trade capital providers' participation in the syndicate results are included in reinsurance recoverable for ceded losses and reinsurance payable for ceded premiums.

Receivables

Premiums receivable, representing amounts due from insureds, are presented net of an allowance for uncollectible premiums, including expected credit losses, both dispute and credit related. Premiums receivable include amounts relating to the trade capital providers' quota share. The allowance is based upon our ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. Credit risk is partially mitigated by our ability to cancel the policy if the policyholder does not pay the premium.

Reinsurance recoverables represent amounts of paid losses and loss adjustment expenses, case reserves and incurred but not reported ("IBNR") amounts ceded to reinsurers under reinsurance treaties. Reinsurance recoverables also reflect amounts that are due from trade capital providers. Amounts recoverable from reinsurers are estimated in a manner consistent with the associated claim liability. We report our reinsurance recoverables net of an allowance for estimated uncollectible reinsurance, including expected credit losses. The allowance is based upon our ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing, disputes, applicable coverage defenses and other relevant factors. We use the rating-based method to estimate the uncollectible reinsurance reserves due to credit losses. Under this method, reinsurance credit risk is estimated by considering the reinsurers probability of default. Reinsurance recoverables are forecasted out of the assumed billing periods and a liquidation factor is applied based on the rating of the reinsurer and adjusted as needed based on our historical experience with the reinsurers. Additionally, reinsurance receivable balances are evaluated to identify any dispute risk and when required, an additional reserve is recorded. Amounts deemed to be uncollectible, including amounts due from known insolvent reinsurers, are written off against the allowance. Changes in the allowance, as well as any subsequent collections of amounts previously written off, are reported as part of underwriting expense. We evaluate and monitor the financial condition of our reinsurers under voluntary reinsurance arrangements to minimize our exposure to significant losses from reinsurer insolvencies.

Recoveries occur when subsequent collection or litigation results in the receipt of amounts previously written off. Amounts recovered are applied against the allowance for expected credit losses. For further disclosures about the allowance for expected credit losses, see Note 4, "Allowance for Credit Losses."

Earned Premiums

Premium revenue is generally recognized ratably over the policy period. Premiums that have yet to be earned are reported as "unearned premiums" in our consolidated balance sheets.

Unearned premium balances include cessions to reinsurers including trade capital providers, while the earned premium recognized in our consolidated statements of income (loss) excludes amounts relating to trade capital providers. The trade capital providers' quota share amount is included in "ceded reinsurance payable, net".

Assumed reinstatement premiums that reinstate coverage are written and earned at the time the associated loss event occurs. The original premium is earned over the remaining exposure period of the contract. Reinstatement premiums are estimated based upon contract terms for reported losses and estimated for incurred but not reported losses.

Retrospectively Rated Policies

We have written a number of workers compensation, property and other liability policies that are retrospectively rated. Under this type of policy, the policyholder or coverholder may be entitled, subsequent to coverage expiration, to a refund or may owe additional premiums based on the amount of losses incurred under the policy. The retrospective premium adjustments on certain policies are limited to a minimum or maximum premium adjustment, which is calculated as a percentage of the standard amount of premium charged during the life of the policy. Accrued retrospectively rated premiums have been determined based on estimated ultimate loss experience of the individual policyholder accounts. The estimated liability for return of premiums under retrospectively rated policies is included in "Unearned premiums" in our consolidated balance sheets and was $4.7 million and $1.5 million at December 31, 2021 and 2020, respectively. The estimated amount included in premiums receivables for additional premiums due under retrospectively rated policies was $0.1 million and $0.1 million at December 31, 2021 and 2020, respectively.

Deferred Acquisition Costs

Policy acquisition costs, which include commissions, premium taxes, fees and certain other costs of underwriting policies, are deferred, when such class of policies are profitable, and amortized over the same period in which the related premiums are earned. To qualify for capitalization, the policy acquisition cost must be directly related to the successful acquisition of an insurance contract. Anticipated investment income is considered in determining whether the deferred acquisition costs are recoverable and whether a premium deficiency exists. We continually review the methods of making such estimates and establishing the deferred costs with any adjustments made in the accounting period in which the adjustment arose.

The 2021 and 2020 net amortization of policy acquisition costs will not equal the change in our consolidated balance sheets as the trade capital providers' share is not reflected in our consolidated statements of income (loss) and differences arise from foreign currency exchange rates applied to deferred acquisition costs which are treated as a nonmonetary asset.

Leases

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. Renewal options are evaluated prior to the expiration date and recorded upon exercise.

We adopted ASU 2016-02, "Leases" (Topic 842) on the effective date of January 1, 2019 and 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.

Reserves for Losses and Loss Adjustment Expenses

Liabilities for unpaid losses and loss adjustment expenses include the accumulation of individual case estimates for claims reported as well as estimates of IBNR claims and estimates of claim settlement expenses. Reinsurance recoverables on unpaid claims and claim expenses represent estimates of the portion of such liabilities that will be recoverable from reinsurers. Amounts recoverable from reinsurers are recognized as assets at the same time and in a manner consistent with the unpaid claims liabilities associated with the reinsurance policy.

Reinsurance

In the normal course of business, our insurance subsidiaries cede risks above certain retention levels to other insurance companies. Reinsurance recoverables include claims we paid and estimates of unpaid losses and loss adjustment expenses that are subject to reimbursement under reinsurance and retrocessional contracts. The method for determining reinsurance recoverables for unpaid losses and loss adjustment expenses involves reviewing actuarial estimates of gross unpaid losses and loss adjustment expenses to determine our ability to cede unpaid losses and loss adjustment expenses under our existing reinsurance contracts. This method is continually reviewed and updated and any resulting adjustments are reflected in earnings in the period identified. Reinsurance premiums, commissions and expense reimbursements are accounted for on a basis consistent with those used in accounting for the original policies issued and the term of the reinsurance contracts. Amounts recoverable from reinsurers for losses and loss adjustment expenses for which our insurance and reinsurance subsidiaries have not been relieved of their legal obligations to the policyholder are reported as assets.

Goodwill and Intangible Assets

Goodwill and intangible assets are allocated to the segment in which the results of operations for the acquired company are reported (see Note 19, "Segment Information" for further discussion). Intangible assets with a finite life are amortized over the estimated useful life of the asset. Goodwill and intangible assets with an indefinite useful life are not amortized. Goodwill and intangible assets are tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

We perform our annual goodwill and intangible asset impairment test on the first day of the fourth quarter of each year, October 1, of each year. In conjunction with our annual test, the fair value of each reporting unit exceeded its carrying value for the year ended December 31, 2021, except for our Syndicate 1200 reporting unit. As a result of this testing, we determined that the carrying value of this reporting unit exceeded the fair value by $43.2 million. Goodwill assigned to this reporting unit totaled $28.7 million (pre-tax) and indefinite-lived intangible assets totaled $60.5 million (pre-tax). In accordance with ASC Topic 350-10, "Impairment and Disposal of Long-Lived Assets", we applied the impairment against the indefinite-lived intangible asset, resulting in a carrying value of $17.3 million. Our Syndicate 1200 reporting unit in past years has been adversely impacted by catastrophe and other losses. As a result, we have exited a number of business lines, focusing on profitability. Due to the change in our business plan, we performed a stress test on our fair value testing, focusing on low to negative growth. The result of this stress testing resulted in the indication that the carrying value of the reporting unit exceeded its fair value, resulting in the impairment.

For the year ended December 31, 2020, the fair value of each reporting unit exceeded its carrying value. As a result, no impairment charges were recognized.

In conjunction with our annual test, the fair value of each reporting unit exceeded its carrying value for the year ended December 31, 2019, except for our Lloyd's reporting unit. As a result of this testing, we determined that the goodwill of the Lloyd's reporting unit, which is included in our International Operations segment, was fully impaired and recorded a pre-tax charge of $15.6 million. Our Lloyd's reporting unit was adversely impacted by a continuing soft market. Additionally, we incurred higher than expected losses and loss adjustment expenses due to adverse prior accident year loss reserve development resulting from the receipt of new information in the second half of 2019 relating to claims trends across various lines of business, coupled with increased current accident year losses and loss adjustment expenses as a result of these claim trends. Using these facts and trends, we calculated the discounted cash flows for the Lloyd's reporting unit, which resulted in the indication that the carrying value of the reporting unit exceeded its fair value, resulting in the impairment.

On April 30, 2020, we sold our Trident Public Risk Solutions ("Trident") brand and wrote off $4.9 million of goodwill as a result of the Trident transaction. On November 25, 2020, we sold Ariel Re's premium renewal rights and wrote off $9.2 million of goodwill and $30.2 million of intangible assets, net of accumulated amortization, as a result of the Ariel Re transaction. For more information about these transactions, see Note 2, "Recent Acquisitions, Disposals & Other Transactions."

The following table presents our intangible assets and accumulated amortization at December 31:

	December 31,			
	2021		2020	
(in millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Lloyd's capacity	$ 17.3	n/a	$ 60.5	n/a
Distribution network	45.5	45.5	45.5	45.5
Other	6.2	6.2	6.2	6.2
	$ 69.0	$ 51.7	$ 112.2	$ 51.7

As of December 31, 2020, all of our finite-lived intangible assets had been fully amortized and we had no amortization expense for the year ended December 31, 2021. During the years ended December 31, 2020 and 2019, amortization expense was $1.1 million and $1.7 million, respectively, and is included in "underwriting, acquisition and insurance expenses" in our consolidated statements of income (loss). The entirety of the amortization expense recorded in the year 2020 relates to Ariel Re and was calculated pro-rata before the sale.

Property and Equipment

Property and equipment used in operations, including certain costs incurred to develop or obtain computer software for internal use, are capitalized and carried at cost less accumulated depreciation and are reported in "other assets" in our consolidated balance sheets. Depreciation is calculated using a straight-line method over the estimated useful lives of the assets, generally three to thirty-nine years. The accumulated depreciation for property and equipment was $158.8 million and $163.3 million at December 31, 2021 and 2020, respectively. The net book value of our property and equipment at December 31, 2021 and 2020 was $67.5 million and $130.4 million, respectively. The depreciation expense for the years ended December 31, 2021, 2020 and 2019 was $23.9 million, $24.1 million and $24.4 million, respectively.

Assets Held for Sale

In December 2019, we entered into a series of agreements with a real estate firm to market and sell four company owned condominiums. During 2020, we sold two of the condominiums and the remaining two condominiums were sold in January 2021 and November 2021. We had classified these properties and other corporate assets as "Assets held for sale" of $7.7 million in our Consolidated Balance Sheets as of December 31, 2020. We recorded the assets at their fair market values as of December 31, 2020 based on independent appraisals and active listing prices. As a result of the reclassification to "Assets held for sale," we recorded a pre-tax gain of $0.3 million as of December 31, 2021 and pretax losses of $0.8 million and $3.7 million for the years ended December 31, 2020 and 2019, respectively, which are included in "Non-operating expenses" in our Consolidated Statements of Income (Loss) for the years ended December 31, 2021, 2020 and 2019, respectively. These assets and the related pre-tax losses are reported as part of our Corporate and Other reporting segment in Note 19, "Segment Information."

Derivative Instruments

We enter into short-term, currency spot and forward contracts to manage operational currency exposure from our non-USD insurance operations,and gain exposure to a total return strategy which invests in multiple currencies. The forward contracts are typically thirty to ninety days and are renewed as management deems necessary to accomplish the objectives of the contracts. These foreign currency forward contracts are carried at fair value in our Consolidated Balance Sheets in "Other assets" at December 31, 2021 and 2020, respectively. The realized and unrealized gains and losses are included in "Net realized investment and other gains (losses) in our Consolidated Statements of Income. The forwards contracts are not designated as hedges for accounting purposes.

Share-Based Payments

Compensation expense for share-based payments is recognized based on the measurement-date fair value for awards that will settle in shares. Compensation expense for awards that are settled in equity are recognized on a straight line pro rata basis over the vesting period, adjusted for expected forfeitures. See Note 14, "Share-based Compensation" for related disclosures.

Foreign Currency Exchange Gain (Loss)

The reporting currency of the Company is the U.S. dollar ("USD"). USD is the functional currency of all but three of our foreign operations. For foreign operations with the U.S. dollar as the functional currency, monetary assets and liabilities that are denominated in local currencies are remeasured at the exchange rates in effect at the balance sheet date. The resulting gains and losses from changes in the foreign exchange rates are reflected in net income. Non-monetary assets and liabilities are not remeasured. In the case of our non-USD denominated available-for-sale investments, the change in exchange rates between the local currency and USD at each balance sheet date represents an unrealized appreciation or depreciation in value of these securities and is included as a component of accumulated other comprehensive income (loss). Revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate during the period with the resulting foreign exchange gains and losses included in net income for the period.

Translation gains and losses related to our operations in Brazil, Malta and Italy are recorded as a component of shareholders' equity in our consolidated balance sheets. At December 31, 2021 and 2020, the foreign currency translation adjustments were a loss of $35.3 million and $37.9 million, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change is enacted.

We recognize potential accrued interest and penalties within our global operations in "interest expense" and "underwriting, acquisition and insurance expenses," respectively, in our consolidated statements of income (loss) related to unrecognized tax benefits.

Supplemental Cash Flow Information

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

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Senior unsecured fixed rate notes	$ 9.3	$ 9.3	$ 9.3
Junior subordinated debentures	10.0	11.9	16.2
Other indebtedness	2.5	5.2	7.6
Total interest paid	$ 21.8	$ 26.4	$ 33.1
Income taxes paid	43.0	47.7	24.0
Income taxes recovered	(2.6)	(1.8)	(0.1)
Income taxes paid, net	$ 40.4	$ 45.9	$ 23.9

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, “Measurement of Credit Losses on Financial Instruments” (Topic 326), commonly referred to as current expected credit losses or "CECL." 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 updated guidance also amends the previous other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security’s amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The guidance was effective for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. The guidance required a modified retrospective transition method.

We adopted the updated guidance effective January 1, 2020 using the modified retrospective approach, which resulted in a $7.9 million net of tax reduction to retained earnings. Partially offsetting this reduction of retained earnings was a $5.7 million net of tax increase in other comprehensive income representing the reclassification of unrealized investment losses to credit losses under this accounting update. The cumulative effect adjustment decreased shareholders’ equity $2.2 million. Please see Note 3, “Investments” and Note 4, “Allowance for Credit Losses” for further discussion of the impact of ASU 2016-13 on our financial position and results of operations at and for the year ended December 31, 2021 and 2020, respectively.

2. Recent Acquisitions, Disposals & Other Transactions

Sale of Trident Brand and Platform

On April 30, 2020, we sold our Trident brand and underwriting platform to Paragon Insurance Holdings, LLC ("Paragon") and received $38 million in cash, with additional consideration in future periods depending on performance post-closing. In connection with the terms of agreement to sell the Trident brand, Paragon continues to write business on Argo paper (Argonaut Insurance Company, Argonaut Great Central Insurance Company, Argonaut Midwest Insurance Company and Peleus Insurance Company) through a managing general agency agreement. During the second quarter of 2021, the parties to the transaction agreed to amend the transaction and other related agreements associated with the sale of Trident to eliminate certain lines of business from the transaction. As a result, we recognized a pre-tax loss of $10.5 million reduction in the original gain on sale for the year ended December 31, 2021. This transaction is included in "Net realized investment gains (losses)" in our Consolidated Statements of Income (Loss) for the year ended December 31, 2021. We recognized a pre-tax gain of $31.8 million related to the sale, for the year ended December 31, 2020. Trident is reported within our U.S. Operations reporting segment.

Acquisition of Ariel Indemnity Limited

Effective June 12, 2020, Argo Group and our subsidiary Argo Re, Ltd. ("Argo Re") acquired 100% of the capital stock of Ariel Indemnity Limited ("AIL") for consideration of $55.6 million. The acquisition of AIL was made pursuant to the former owners (the "Sellers") of Maybrooke Holdings, S.A. ("Maybrooke") exercising a put option within the Administrative Services Agreement ("ASA") between the Company and the Sellers. The ASA was part of the stock purchase agreement between the Company and the Sellers related to our February 6, 2017 acquisition of Maybrooke, the since-liquidated holding company of the Ariel Re platform. The $55.6 million sales price is equal to the 2019 year-end tangible net worth of AIL, less certain administrative costs. Upon acquiring AIL, we dissolved AIL and merged it into Argo Re.

The acquisition was accounted for in accordance with ASC 805, "Business Combinations." Purchase accounting, as defined by ASC 805, requires that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The fair values disclosed herein were determined based on management's best estimates and the finalization of certain valuation analyses during the fourth quarter of 2020. Provisional fair values were recorded in the Company's interim consolidated financial statements and notes for the period ended September 30, 2020. AIL's financial position, results of operations, and cash flows were not material to our consolidated financial results as of and for the year ended December 31, 2020. No goodwill or intangible assets were recognized from this transaction.

Reinsurance-to-close ("RITC") of ArgoGlobal Syndicate 1200

On October 12, 2020, ArgoGlobal, the Lloyd's insurer and member of Argo Group, announced a reinsurance-to-close ("RITC") transaction with legacy specialist RiverStone. RiverStone provided an RITC of ArgoGlobal's Syndicate 1200 for 2017 and prior years with net technical provision of approximately $219.7 million. The transaction received regulatory approval on January 29, 2021, with the RITC becoming effective on January 1, 2021.

Sale of Ariel Re

On November 25, 2020, we completed the sale of Ariel Re, to Pelican Ventures and J.C. Flowers & Co. Under the terms of the agreement, we received $30 million at closing. Ariel Re is the reinsurance platform through which Lloyd's Syndicate 1910 reinsurance business is underwritten. We recognized a loss of $9.4 million related to the sale, which is included in "Net realized investment (losses) gains" in our Consolidated Statements of Income (Loss) for the year ended December 31, 2020. Ariel Re is one of the business units within our International Operations reporting segment. Pelican Ventures and affiliates capitalized the 2021 year of account, and Argo Group maintains responsibility for all years of account 2020 and prior. Additionally, in accordance with the transaction agreement, Ariel Re's equity interests in ArgoGlobal Services (Hong Kong) Limited ("AGSL") and Ariel Re Bda Limited ("ARBL") were transferred to Pelican Ventures and J.C. Flowers & Co. AGSL is authorized in Hong Kong by the Insurance Agency of Hong Kong as an insurance agent and is a Lloyd's approved coverholder. ARBL is an exempted company limited by shares, incorporated in Bermuda and registered as an insurance agent under the Bermuda Insurance Act.

Sale of Argo Seguros Brasil S.A.

On February 15, 2022, we completed the sale of our Brazilian operations, Argo Seguros, to Spice Private Equity Ltd., an investment company focused on global private equity investments, for a purchase price of 160 million Brazilian Reais (approximately $30.5 million), subject to the terms and conditions set forth in the purchase agreement. Argo Seguros is one of the units within our International Operations reporting segment. The Company realized a loss on the fair value of Argo Seguros of $6.3 million (including other costs of $0.7 million), which is reflected in the income statement and adjusted the carrying value of deferred acquisition cost by $5.6 million. The Company expects to incur a tax loss in connection with the sale of Argo Seguros. However, due to Irish tax rules regarding the disposition of subsidiary stock, the Company does not expect to utilize this loss for tax purposes, and as such is estimating no material net tax impact as a result of the sale.

3. Investments

Included in “total investments” in our consolidated balance sheets at December 31, 2021 and 2020 is $89.6 million and $140.3 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 in fixed maturity investments were as follows:

December 31, 2021

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

December 31, 2020

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	$ 385.4	$ 14.7	$ 0.3	$ —	$ 399.8
Foreign Governments	284.1	11.6	0.7	0.2	294.8
Obligations of states and political subdivisions	163.1	7.7	0.3	0.1	170.4
Corporate bonds	1,925.9	75.3	13.3	6.1	1,981.8
Commercial mortgage-backed securities	324.8	15.2	0.3	—	339.7
Residential mortgage-backed securities	491.4	17.4	0.6	—	508.2
Asset-backed securities	120.5	2.9	0.4	0.2	122.8
Collateralized loan obligations	285.9	4.9	1.2	—	289.6
Total fixed maturities	$ 3,981.1	$ 149.7	$ 17.1	$ 6.6	$ 4,107.1

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of December 31, 2021, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	$ 281.7	$ 284.6
Due after one year through five years	1,692.0	1,704.8
Due after five years through ten years	710.0	711.3
Thereafter	112.6	111.6
Structured securities	1,406.9	1,411.0
Total	$ 4,203.2	$ 4,223.3

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

Other Invested Assets

Details regarding the carrying value and unfunded investment commitments of the other invested assets portfolio as of December 31, 2021 and 2020 were as follows:

December 31, 2021

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

December 31, 2020

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 111.2	$ —
Private equity	211.4	80.0
Overseas deposits	102.1	—
Other	4.7	—
Total other investments	$ 429.4	$ 80.0

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.
- **Overseas deposits**: Overseas deposits are principally invested in short-term sovereign fixed income and investment grade corporate securities and international stocks.
- **Other**: Other includes participation in investment pools.

Unrealized Losses and Other-than-temporary Impairments

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

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

December 31, 2020	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	$ 40.6	$ 0.3	$ —	$ —	$ 40.6	$ 0.3
Foreign Governments	18.0	0.5	0.1	0.2	18.1	0.7
Obligations of states and political subdivisions	5.2	0.3	—	—	5.2	0.3
Corporate bonds	202.5	6.7	17.5	6.6	220.0	13.3
Commercial mortgage-backed securities	21.8	0.3	—	—	21.8	0.3
Residential mortgage-backed securities	74.4	0.4	3.0	0.2	77.4	0.6
Asset-backed securities	4.6	0.4	—	—	4.6	0.4
Collateralized loan obligations	121.1	0.9	49.1	0.3	170.2	1.2
Total fixed maturities	$ 488.2	$ 9.8	$ 69.7	$ 7.3	$ 557.9	$ 17.1

We hold a total of 5,207 fixed maturity securities, of which 697 were in an unrealized loss position for less than one year and 82 were in an unrealized loss position for a period one year or greater as of December 31, 2021.

For fixed maturities for which a decline in the fair value between the amortized cost is due to credit-related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to realized investment losses in the Statement of Income (Loss). The allowance is limited to the difference between amortized cost and fair value.

The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit-related factors is recognized in the Statement of Comprehensive Income (Loss). Accrued interest is excluded from the measurement of the allowance for credit losses.

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

We evaluate for credit losses each period. If we determine that all or a portion of a fixed maturity is uncollectible, the uncollectible amortized cost is written off with a corresponding reduction to the allowance for credit losses. If we collect cash flows that were previously written off, the recovery is recognized in realized investment gains. We also consider whether we intend to sell an available-for-sale security or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost. In these instances, a decline in fair value is recognized in net realized gains (losses) in the Statement of Income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

Prior to the adoption of ASU 2016-13, the evaluation for a credit loss was generally based on the present value of expected cash flows of the security as compared to the amortized cost. For structured securities, frequency and severity of loss inputs were used in projecting future cash flows of the securities. Loss frequency was measured on the credit default rate, which included factors such as loan-to-value ratios and credit scores of borrowers. If a determination was made that the unrealized loss was other-than-temporary, a realized loss was recognized in the realized investment losses in the Statement of Income (Loss) and the amortized cost basis of the security was reduced to reflect the loss.

	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, January 1, 2020	$ —	$ —	$ —	$ —	$ —
Additions-initial adoption of accounting standard	—	—	6.8	0.1	6.9
Securities for which allowance was not previously recorded	0.3	0.3	15.3	—	15.9
Securities sold during the period	(0.2)	—	(39.0)	(0.1)	(39.3)
Additional net increases (decreases) in existing allowance	0.1	(0.2)	23.0	0.2	23.1
Ending balance, December 31, 2020	$ 0.2	$ 0.1	$ 6.1	$ 0.2	$ 6.6

	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, January 1, 2021	$ 0.2	$ 0.1	$ 6.1	$ 0.2	$ 6.6
Securities for which allowance was not previously recorded	—	—	2.7	0.2	2.9
Securities sold during the period	—	—	(3.5)	—	(3.5)
Additional net increases (decreases) in existing allowance	—	(0.1)	(3.1)	(0.3)	(3.5)
Ending balance, December 31, 2021	$ 0.2	$ —	$ 2.2	$ 0.1	$ 2.5

Total change in allowance for credit losses included in net realized investment gains (losses) in the Consolidated Statement of Income was $0.6 million and $(39.9) million for the year ended December 31, 2021 and 2020, respectively.

Net Investment Income

Investment income and expenses were as follows:

(in millions)	For the Years Ended December 31, 2021	2020	2019
Investment income:			
Interest on fixed maturities	$ 98.9	$ 108.6	$ 129.5
Dividends on equity securities	3.1	2.8	11.1
Income on alternative investments	95.5	10.4	22.4
Income on short-term and other investments	3.3	3.9	8.9
Investment income	200.8	125.7	171.9
Investment expenses	(13.2)	(13.0)	(20.8)
Net investment income	$ 187.6	$ 112.7	$ 151.1

Net Realized Investment Gains and Losses

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

(in millions)	For the Years Ended December 31, 2021	2020	2019
Realized gains on fixed maturities and other			
Fixed maturities	$ 30.6	$ 37.1	$ 22.2
Other investments, including short-terms	9.8	93.8	0.1
Other assets	3.3	33.2	33.0
	43.7	164.1	55.3
Realized losses on fixed maturities and other			
Fixed maturities	(11.8)	(35.2)	(11.7)
Other investments, including short-terms	(18.5)	(78.6)	(31.3)
Other assets	(12.5)	(7.2)	—
	(42.8)	(121.0)	(43.0)
Net (losses) recognized on fixed maturities and other			
Credit losses on fixed maturities	0.6	(39.9)	—
Other-than-temporary impairment losses	—	—	(20.3)
Other	(6.3)	—	—
	(5.7)	(39.9)	(20.3)
Equity securities			
Net realized gains (losses) on equity securities	71.5	(17.1)	128.9
Change in unrealized gains (losses) on equity securities held at the end of the period	(34.1)	10.3	(40.8)
Net realized gains (losses) on equity securities	37.4	(6.8)	88.1
Net realized investment and other gains (losses) before income taxes	32.6	(3.6)	80.1
Income tax (benefit) provision	6.2	1.3	16.2
Net realized investment gains (losses), net of income taxes	$ 26.4	$ (4.9)	$ 63.9

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

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

(in millions)	For the Years Ended December 31, 2021	2020	2019
Change in unrealized gains (losses)			
Fixed maturities	$ (105.9)	$ 96.0	$ 93.3
Other investments	—	(14.3)	4.4
Other and short-term investments	(1.0)	0.7	0.2
Net unrealized investment gains (losses) before income taxes	(106.9)	82.4	97.9
Income tax provision (benefit)	(21.5)	16.5	15.4
Net unrealized investment gains (losses), net of income taxes	$ (85.4)	$ 65.9	$ 82.5

Foreign Currency Exchange Forward Contracts

We entered into foreign currency exchange forward contracts to manage operational currency exposure from our non-USD insurance operations, , and gain exposure to a total return strategy which invests in multiple currencies. The currency forward contracts are carried at fair value in our consolidated balance sheets in “other assets” at December 31, 2021 and 2020. The gains and losses are included in “net realized investment and other gains” in our consolidated statements of income (loss).

The fair value of our foreign currency exchange forward contracts as of December 31 was as follows:

(in millions)	December 31, 2021	December 31, 2020
Operational currency exposure	$ (0.3)	$ 0.4
Asset manager investment exposure	(0.3)	(0.2)
Total return strategy	—	0.7
Total	$ (0.6)	$ 0.9

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

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Realized gains			
Operational currency exposure	$ 16.5	$ 13.2	$ 5.7
Asset manager investment exposure	3.7	2.2	2.7
Total return strategy	13.0	61.6	22.5
Gross realized investment gains	33.2	77.0	30.9
Realized losses			
Operational currency exposure	(28.9)	(8.6)	(10.6)
Asset manager investment exposure	(1.0)	(4.0)	(0.8)
Total return strategy	(12.0)	(62.3)	(17.6)
Gross realized investment losses	(41.9)	(74.9)	(29.0)
Net realized investment gains (losses) on foreign currency exchange forward contracts	$ (8.7)	$ 2.1	$ 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 December 31:

(in millions)	December 31, 2021	December 31, 2020
Securities on deposit for regulatory and other purposes	$ 195.6	$ 227.5
Securities pledged as collateral for letters of credit and other	193.9	189.4
Securities and cash on deposit supporting Lloyd's business [(1)]	296.8	409.2
Total restricted investments	$ 686.3	$ 826.1

(1) Argo Group is required to maintain "Funds at Lloyd's" or "FAL" to support its business for Syndicate 1200 and Syndicate 1910. At December 31, 2021 the amount pledged for FAL was $296.8 million, of which $140.3 million was provided by Argo Re.

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 and income 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 assumptions 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 December 31, 2021 and 2020. 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:

- U.S. 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.
- U.S. 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 Level 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.

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

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

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

(in millions)	December 31, 2020	Fair Value Measurements at Reporting Date Using Level 1 [(a)]	Level 2 [(b)]	Level 3 [(c)]
Fixed maturities				
U.S. Governments	$ 399.8	$ 383.5	$ 16.3	$ —
Foreign Governments	294.8	—	294.8	—
Obligations of states and political subdivisions	170.4	—	170.4	—
Corporate bonds	1,981.8	—	1,974.8	7.0
Commercial mortgage-backed securities	339.7	—	339.7	—
Residential mortgage-backed securities	508.2	—	508.2	—
Asset-backed securities	122.8	—	122.8	—
Collateralized loan obligations	289.6	—	289.6	—
Total fixed maturities	4,107.1	383.5	3,716.6	7.0
Equity securities	176.7	159.2	—	17.5
Other investments	102.5	0.4	102.1	—
Short-term investments	542.6	526.5	16.1	—
	$ 4,928.9	$ 1,069.6	$ 3,834.8	$ 24.5

(a) Quoted prices in active markets for identical asset
(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, 2021	$ 7.0	$ 17.5	$ 24.5
Transfers into Level 3	—	1.0	1.0
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	—	4.2	4.2
Included in other comprehensive income	(0.8)	—	(0.8)
Purchases, issuances, sales, and settlements:			
Purchases	0.1	1.2	1.3
Issuances	—	—	—
Sales	(3.5)	(10.6)	(14.1)
Settlements	—	—	—
Ending balance, December 31, 2021	$ 2.8	$ 13.3	$ 16.1
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, 2021	$ —	$ —	$ —

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2020	$ 7.4	$ 18.2	$ 25.6
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	—	(5.9)	(5.9)
Included in other comprehensive loss	(0.5)	—	(0.5)
Purchases, issuances, sales, and settlements:			
Purchases	0.1	5.2	5.3
Issuances	—	—	—
Sales	—	—	—
Settlements	—	—	—
Ending balance, December 31, 2020	$ 7.0	$ 17.5	$ 24.5
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2020	$ —	$ —	$ —

At December 31, 2021 and 2020, we did not have any financial assets or financial liabilities measured at fair value on a nonrecurring basis or any financial liabilities on a recurring basis.

4. Allowance for Credit Losses

Premiums receivable

The following table represents the balances of premiums receivable, net of allowance for uncollectible premiums, including expected credit losses, at December 31, 2021 and January 1, 2021, and the changes in the allowance for the year ended December 31, 2021.

(in millions)	Premiums Receivable, Net of Allowance for Estimated Uncollectible Premiums	Allowance for Estimated Uncollectible Premiums
Balance, January 1, 2021	$ 679.8	$ 9.4
Current period change for estimated uncollectible premiums		(3.1)
Write-offs of uncollectible premiums receivable		(0.6)
Foreign exchange adjustments		—
Balance, December 31, 2021	$ 648.6	$ 5.7

Reinsurance Recoverables

The following table presents the balances of reinsurance recoverables, net of the allowance for estimated uncollectible reinsurance, including expected credit losses, at December 31, 2021 and January 1, 2021, and changes in the allowance for estimated uncollectible reinsurance for the year ended December 31, 2021.

(in millions)	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, January 1, 2021	$ 3,009.0	$ 4.1
Current period change for estimated uncollectible reinsurance		(0.3)
Write-offs of uncollectible reinsurance recoverables		—
Balance, December 31, 2021	$ 2,966.4	$ 3.8

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

5. Leases

Our operating lease obligations are for office facilities, corporate housing and equipment. Our leases have remaining lease terms ranging between less than 1 year and 13 years, some of which include options to extend the leases. Expenses associated with leases totaled $18.3 million for the year ended December 31, 2021, as compared to $20.3 million for the year ended December 31, 2020. The components of lease expense, and other lease information, as of and during the year ended December 31, 2021 and 2020 are as follows:

	December 31,	
(in millions)	2021	2020
Operating leases right-of-use assets	$ 81.4	$ 82.0
Operating lease liabilities	97.7	95.8
Operating lease weighted-average remaining lease term	9.51	10.50
Operating lease weighted-average discount rate	3.53 %	3.77 %

(in millions)	For the Year Ended December 31, 2021	2020
Operating lease costs	$ 14.2	$ 15.3
Variable lease costs	6.2	5.4
Sublease income	(2.1)	(0.4)
Total lease costs	$ 18.3	$ 20.3
Operating cash flows from operating leases (fixed payments)	$ 14.9	$ 15.7
Operating cash flows from operating leases (liability reduction)	$ 12.8	$ 12.8

Our finance leases and short-term leases as of December 31, 2021 and 2020 were not material.

Future minimum lease payments under operating leases as of December 31, 2021 were as follows:

(in millions)	December 31, 2021
2022	13.8
2023	13.4
2024	11.8
2025	11.6
2026	11.2
Thereafter	54.4
Total future minimum lease payments	$ 116.2
Future lease obligations	
Less imputed interest	(18.5)
Total operating lease liability	$ 97.7

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 one condominium that was leased on a short-term basis. The carrying value of the office building is included in "Other assets" on our consolidated balance sheet. The condominium was placed for sale in December 2019, and sold in January 2021. The carrying value of this condominium is included in the "Assets held for Sale" on our consolidated balance sheet. Income for these leased properties was $1.4 million for the year ended December 31, 2021 and $2.6 million for the year ended December 31, 2020. Income for these leased properties is included in "fee and other income" on our consolidated statements of income (loss).

6. Reinsurance

We reinsure certain risks with other insurance companies. Such arrangements serve to limit our maximum loss on certain individual risks as well as on catastrophes and large or unusually hazardous risks. We are liable to our insureds for reinsurance ceded in the event our reinsurers do not meet their obligations. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under the reinsurance contracts. Our allowance for uncollectible reinsurance balances receivable on paid losses and incurred claims was $3.8 million and $4.1 million as of December 31, 2021 and 2020, respectively (see Note 4, "Allowance for Credit Losses" for additional information). Under certain reinsurance agreements, collateral, including letters of credit, is held to secure performance of reinsurers in meeting their obligations. The amount of such collateral was $1,085.5 million and $1,131.4 million at December 31, 2021 and 2020, respectively. The collateral we hold does not apply to our entire outstanding reinsurance recoverable. Rather, collateral is provided on an individual contract basis, as appropriate. For each individual reinsurer, the collateral held may exceed or fall below the total outstanding recoverable from that individual reinsurer.

The long-term nature of the reinsurance contracts creates a credit risk to us over time arising from potentially uncollectible reinsurance. To mitigate that counterparty risk, we evaluate our reinsurers to assess their financial condition. The factors that underlie these reviews include a financial risk assessment as well as an internal assessment of the capitalization and the operational risk of the reinsurer. As a result of these reviews, we may make changes to the approved markets that are used in both our treaty and facultative reinsurance programs.

Estimated losses recoverable from reinsurers and the ceded portion of unearned premiums are reported as assets in our consolidated balance sheets. Included in "reinsurance recoverables" are paid loss recoverables of $494.6 million and $509.1 million as of December 31, 2021 and 2020, respectively. "Earned premiums" and "losses and loss adjustment expenses" are reported net of reinsurance in our consolidated statements of income (loss).

Losses and loss adjustment expenses of $1,314.6 million, $1,208.8 million and $1,220.7 million for the years ended December 31, 2021, 2020 and 2019, respectively, are net of amounts ceded to reinsurers of $829.6 million, $941.3 million and $1,031.1 million, respectively.

We are required to accept certain assigned risks and other legally mandated reinsurance obligations. Prior to the mid-1980s, we assumed various forms of casualty reinsurance for which we continue to maintain reserves for losses and loss adjustment expenses (see Note 8, "Run-off Lines"). For such assumed reinsurance transactions, we engage in various monitoring steps that are common with assumed reinsurance such as ongoing claims reviews. We assumed property related reinsurance primarily through, Argo Re and Ariel Re, and casualty related reinsurance primarily through Syndicate 1200.

Premiums were as follows:

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Direct written premiums	$ 2,990.6	$ 2,676.1	$ 2,510.4
Reinsurance ceded to other companies	(1,203.9)	(1,423.2)	(1,375.6)
Reinsurance assumed from other companies	190.6	557.2	619.8
Net written premiums	$ 1,977.3	$ 1,810.1	$ 1,754.6
Direct earned premiums	$ 2,917.7	$ 2,660.6	$ 2,412.4
Reinsurance ceded to other companies	(1,272.7)	(1,388.6)	(1,286.7)
Reinsurance assumed from other companies	265.1	508.5	604.0
Net earned premiums	$ 1,910.1	$ 1,780.5	$ 1,729.7
Percentage of reinsurance assumed to net earned premiums	13.9 %	28.6 %	34.9 %

7. 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 Years Ended December 31, 2021	2020	2019
Net reserves beginning of the year	$ 2,906.1	$ 2,722.7	$ 2,562.9
Net AIL reserves acquired	—	27.9	—
Add:			
Losses and LAE incurred during current calendar year, net of reinsurance:			
Current accident year	1,176.3	1,201.1	1,082.6
Prior accident years	138.3	7.7	138.1
Losses and LAE incurred during calendar year, net of reinsurance	1,314.6	1,208.8	1,220.7
Deduct:			
Losses and LAE payments made during current calendar year, net of reinsurance:			
Current accident year	180.8	253.4	224.3
Prior accident years	688.4	866.4	806.0
Losses and LAE payments made during current calendar year, net of reinsurance:	869.2	1,119.8	1,030.3
Net reserve ceded - reinsurance to close transaction for years of account 2017 and prior [(1)]	219.7	—	—
Change in participation interest [(2)]	8.4	32.8	(14.4)
Foreign exchange adjustments	(17.0)	33.7	(16.2)
Net reserves - end of period	3,123.2	2,906.1	2,722.7
Add:			
Reinsurance recoverables on unpaid losses and LAE, end of period	2,471.8	2,499.9	2,434.9
Gross reserves - end of period	$ 5,595.0	$ 5,406.0	$ 5,157.6

(1) Amount represents a decrease in reserves due to an RITC to RiverStone, see Note 2, recent acquisitions, disposals & other transactions.
(2) Amount represents (decrease) increase in reserves due to change in our Syndicate 1200 and Syndicate 1910 participation.

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.

Underwriting results for the year ended December 31, 2021 included net losses and loss adjustment expenses attributed to the COVID-19 pandemic of $12.4 million, primarily resulting from contingency and property exposures in the Company's International Operations. Property losses relate to sub-limited affirmative business interruption coverage, primarily in certain International markets, as well as expected costs associated with claims handling.

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

(in millions)	For the Years Ended December 31, 2021	2020	2019
U.S. Operations	$ 120.9	$ 2.4	$ 15.7
International Operations	(26.9)	(6.2)	110.4
Run-off Lines	44.3	11.5	12.0
Total (favorable) unfavorable prior-year development	$ 138.3	$ 7.7	$ 138.1

The following describes the primary factors behind each segment's prior accident year reserve development for the years ended December 31, 2021, 2020 and 2019:

Year ended December 31, 2021:

- U.S. Operations: Net unfavorable development in liability and professional lines, partially offset by favorable development in of 2021. The liability lines movement was largely due to actual incurred loss movements greater than the expected movements in business units with significant exposure to claims alleging construction defect ($112.1 million of prior year development), driven by accident years 2017 and prior. The professional lines movement was driven by evaluations of individual management liability claims. The professional lines prior-year development of $33.0 million was driven by accident years 2018 and prior.

- International Operations: Net favorable development primarily related to favorable development in liability and property lines, partially offset by unfavorable development in Argo Insurance Bermuda. The unfavorable movement in Argo Insurance Bermuda was driven by liability and professional losses.
- Run-off Lines: Net unfavorable loss reserve development in run-off liability lines, including asbestos and environmental lines, and risk management workers compensation. The movement on liability exposures excluding asbestos and environmental was due to analysis of individual claims. The exposures driving the change were largely the result of claims alleging abuse. A large portion of the change was due to defense costs. The movement on asbestos and environmental lines was due to higher than expected loss activity and movements on large claims alleging environmental losses.

Year ended December 31, 2020:

- *U.S. Operations:* Net unfavorable development in liability and professional lines, partially offset by favorable development in specialty and property.
- *International Operations:* Net favorable development primarily related to favorable development in Reinsurance, partially offset by unfavorable development in Bermuda Insurance. The favorable development in Reinsurance was due to experience on catastrophe losses from recent years and decreases on claims from older accident years. The unfavorable movement in Bermuda Insurance was driven by professional and liability losses.
- *Run-off Lines:* Net unfavorable loss reserve development in asbestos and environmental lines and other run-off lines, partially offset by favorable loss reserve development on prior accident years in risk management workers compensation.

Year ended December 31, 2019:

- *U.S. Operations:* Net unfavorable development in professional, property and liability lines partially offset by favorable development in specialty lines. The unfavorable professional lines development was driven by movements on individual large management liability claims primarily impacting accident years 2015 through 2017. The unfavorable property development was primarily driven by large excess claims resulting from the 2017 and 2018 catastrophe events. The unfavorable liability lines development was driven by actual loss activity greater than expected. The three most recent accident years showed unfavorable development partially offset by favorable development on older years. The favorable specialty lines development was driven by favorable experience in the surety business across multiple accident years.
- *International Operations:* Net unfavorable development was primarily concentrated in liability and professional lines. The charges impacted our Bermuda casualty and professional divisions, and our Syndicate 1200 and European operations. The charges in our Bermuda business stemmed from public utility business in our casualty division, which we previously exited, as well as updated estimates on a number of other casualty and professional claims based on new information received in the last three quarters of 2019. As it relates to Syndicate 1200, the adverse development generally related to businesses that we have previously exited or where aggressive remedial underwriting actions have been taken. As it relates to Europe, the adverse development primarily related to certain coverholders whose contracts were previously terminated or where aggressive remedial underwriting actions have been taken as well as unexpected movements in large professional liability losses. This unfavorable development was primarily due to obtaining additional information on several individual claims, including investigations regarding causes of the incidents leading to the losses, reports provided by outside counsel, audits of the underlying losses and recent court decisions, settlements and jury awards. The result was an increase in the number of claims with the potential for underlying losses to reach our attachment point, particularly within our Bermuda Operations. Adverse development in Syndicate 1200 related to large claims involving the marine and energy and liability divisions. Losses on small and medium enterprise package business were also higher than expected. The unfavorable development during the year was also attributable to the results of ongoing audits, underwriting reviews, and updates from third-party coverholders, 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 coverholders.
- *Run-off Lines:* Net unfavorable development in asbestos and environmental and other run-off segments partially offset by favorable development in risk management workers compensation. The change in asbestos was driven by assumed business where accounts are staying open longer than expected. The change in environmental was driven by individual claims on direct business.

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

The spread of COVID-19 and related economic shutdown has increased the uncertainty that is always present in our estimate of the ultimate cost of loss and settlement expense. Actuarial models base future emergence on historic experience, with adjustments for current trends, and the appropriateness of these assumptions involved more uncertainty as of December 31, 2021. We expect there will be impacts to the timing of loss emergence and ultimate loss ratios for certain coverages we underwrite. The industry is experiencing new issues, including the temporary suspension of civil court cases in most states, the extension of certain statutes of limitations and the impact on our insureds from a significant reduction in economic activity. Our booked reserves include consideration of these factors, but legislative, regulatory or judicial actions could result in loss reserve deficiencies and reduce earnings in future periods.

Short-Duration Contract Disclosures

Our basis for disaggregating short-duration contracts is by each of our two ongoing reporting segments, U.S. Operations and International Operations, with International Operations further disaggregated by operating divisions. We have chosen to disaggregate the data in this way so as to not obscure useful information by otherwise aggregating items with significantly different characteristics. See Note 19, “Segment Information,” for additional information regarding our two ongoing reporting segments.

Operating Divisions

Our U.S. Operations reporting segment is comprised of one primary operating division (see Note 19, “Segment Information” for additional information on U.S Operations). International Operations’ primary operating divisions are Argo Insurance Bermuda and Syndicate 1200. Each of these operating divisions are further described below.

Argo Insurance Bermuda

Argo Insurance Bermuda offers casualty, property and professional lines, which serves the needs of global clients by providing the following coverages: property, general and products liability, directors and officers liability, errors and omissions liability and employment practices liability.

Syndicate 1200

The Syndicate 1200 division is focused on underwriting property, specialty and non-U.S. liability insurance and reinsurance through Argo Underwriting Agency, Ltd. on behalf of Lloyd’s Syndicate 1200 within the Lloyd’s of London global franchise.

Lines of Business

We use an underwriting committee structure to monitor and evaluate the operating performance of our lines of business. The underwriting committees are organized to allow products or coverages with similar characteristics to be managed and evaluated in distinct groups. Using this approach, our insurance business is categorized into underwriting groups, which are Liability, Professional, Property and Specialty. Noted below are descriptions of the types of characteristics considered to disaggregate our business into these groups, as well as other qualitative factors to consider when using the information contained in the following incurred and paid claims development tables.

Liability

Our Liability business generally covers exposures where most claims are reported without a significant time lag between the event that gives rise to a claim and the date the claim is reported to us. However, since facts and information are frequently not complete at the time claims are reported to us, and because protracted litigation is sometimes involved, it can be several years before the ultimate value of these claims is determined. In our Argo Bermuda Insurance division, much of the business covers higher layers, potentially increasing the time it takes to fully determine our exposure.

Professional

Much of our Professional business is written on a claims-made basis resulting in coverage only for claims that are reported to us during the year in which the policy is effective, thus reducing the number of claims that will become known to us after the end of the policy expiration date. However, facts and information are frequently not complete at the time claims are reported to us, and protracted litigation is sometimes involved. It can be several years before the ultimate value of these claims is determined. In our Argo Bermuda Insurance division, much of the business covers higher layers, potentially increasing the time it takes to fully determine our exposure.

Property

Property losses are generally reported within a short period of time from the date of loss, and in most instances, property claims are settled and paid within a relatively short timeframe. However, Property can be impacted by catastrophe losses which can be more complex than non-catastrophe Property claims due to factors such as difficulty accessing impacted areas and other physical, legal and regulatory impediments potentially extending the period of time it takes to settle and pay claims. The impacts of catastrophe losses can be more significant in our Reinsurance and Syndicate 1200 divisions.

Specialty

Specialty lines losses are generally reported within a short period of time from the date of loss, and in most instances, Specialty lines claims are settled and paid within a relatively short timeframe. However, Specialty lines can be impacted by larger losses where facts and information are frequently not complete at the time claims are reported to us. These large losses can be more complex than smaller Specialty claims due to factors such as difficulty determining actual damages and other physical, legal and regulatory impediments potentially extending the period of time it takes to settle and pay claims.

Descriptions of the primary types of coverages, as disclosed in the following tables, included in the significant lines of business for each operating division are noted below:

U.S Operations

- *Liability:* primary and excess specialty casualty, general liability, commercial multi-peril, workers compensation, product liability, environmental liability, and auto liability
- *Professional:* management liability, transaction liability and errors and omissions liability
- *Property:* primary and excess property, inland marine and auto physical damage
- *Specialty:* surety, animal mortality and ocean marine

Argo Insurance Bermuda

- *Liability:* directors and officers liability, errors and omissions liability and employment practices liability

Syndicate 1200

- *Liability*: general liability, international casualty and motor treaties
- *Professional*: professional indemnity, directors and officer’s liability, and medical malpractice
- *Property*: direct and facultative excess insurance, North American and international binders, and residential collateral protection for lending institutions
- *Specialty*: personal accident, aviation, cargo, yachts, and onshore and offshore marine

Run-off Lines Segment

We have a Run-off Lines segment for certain products that we no longer underwrite, including asbestos and environmental claims. We have excluded the Run-off Lines segment from the following disaggregated short-duration contract disclosures due to its insignificance to our consolidated financial position and results of operations, both quantitatively and qualitatively. Gross reserves for losses and LAE in Run-off Lines account for less than 5% of our consolidated gross reserves for losses and LAE, and are primarily related to accident years prior to the mid-1990s. As such, claims development tables for the most recent ten accident years would not provide meaningful information to users of our financial statements, as the majority of the remaining reserves for losses and LAE would be for accident years not separately presented. See Note 8, “Run-off Lines,” for further information on this segment, including discussion of prior accidents years’ development.

Foreign Currency

Portions of the business we write in the Syndicate 1200 and Argo Bermuda Insurance is denominated in foreign currencies. We used the December 31, 2021 balance sheet foreign exchange rates to recast the incurred and paid claims information for all periods presented in the following claims development tables in order to eliminate the effects of changes in foreign currency translation rates.

Lloyd's Reinsurance to Close Process

Syndicate 1200 and Syndicate 1910 are subject to the reinsurance to close process at Lloyd's where a year of account stays open for three years and is then reinsured into the next year of account. As a result, our economic participation on the years reinsured into the next year of account can change, perhaps significantly. We recast the incurred and paid claims information for all periods presented in the following claims development tables in order to eliminate the effects of the changes in economic participation. In addition, the assets and liabilities for the 2017 and prior years of account for Syndicate 1200 were transferred to Riverstone as part of the reinsurance to close transaction effective on January 1, 2021. As a result, losses from the 2017 and prior years of account are no longer included in the Syndicate 1200 triangles.

Reserves for IBNR Claims

Reserves for IBNR claims are based on the estimated ultimate cost of settling claims, including the effects of inflation and other social and economic factors, using past experience adjusted for current trends and any other factors that would modify past experience. We use a variety of statistical and actuarial techniques to analyze current claims costs, including frequency and severity data and prevailing economic, social and legal factors. Each such method has its own set of assumptions and outputs, and each has strengths and weaknesses in different areas. Since no single estimation method is superior to another method in all situations, the methods and assumptions used to project loss reserves will vary by coverage and product.

Given the long-tail nature of some of our claims, judgement used in selecting actuarial assumptions and weighing the indications of the various actuarial methods in developing our ultimate loss selection may have a material impact on our reserves. Construction defect and professional liability claims are two examples where determining the ultimate claims liability can be complex and challenging. Claims on these lines are subject to greater inherent variability than is typical of the remainder of the Company's reserves, and are highly dependent upon court settlements, economic conditions, and the predictability of those results inherently have a larger range of potential outcomes.

We use what we believe to be the most appropriate set of actuarial methods and assumptions for each product line grouping and coverage. While the loss projection methods may vary by product line and coverage, the general approach for calculating IBNR remains the same: ultimate losses are forecasted first, and that amount is reduced by the amount of cumulative paid claims and case reserves. Reserves established in prior years are adjusted as loss experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the results of operations in the year in which they are made.

As described above, various actuarial methods are used to determine the reserves for losses and LAE recorded in our consolidated balance sheets. Weightings of methods at a detailed level may change from evaluation to evaluation based on a number of observations, measures, and time elements. There were no significant changes to the methods and assumptions underlying our consolidated reserve estimations and selections as of December 31, 2021.

Incurred & Paid Claims Development Disclosures

The following tables provide information about incurred and cumulative paid losses and allocated loss adjustment expenses ("ALAE"), net of reinsurance. The following tables also include IBNR reserves plus expected development on reported claims and the cumulative number of reported claims as of December 31, 2021.

Reporting Segment: *U.S. Operations*
Line of Business: *Liability*
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 329.9	$ 342.3	$ 339.3	$ 336.9	$ 335.9	$ 329.7	$ 328.9	$ 327.2	$ 328.2	$ 329.3
2013		344.5	355.8	361.0	360.4	351.5	346.6	343.1	344.8	357.3
2014			328.6	337.1	330.0	326.3	323.9	321.9	327.4	341.3
2015				339.8	343.8	330.3	328.7	328.0	335.4	347.9
2016					342.6	350.5	342.4	353.0	355.3	379.0
2017						374.8	373.7	384.3	397.7	431.7
2018							426.1	430.4	414.5	420.4
2019								421.1	423.7	427.1
2020									404.2	386.7
2021										416.5
									Total	$ 3,837.2

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 37.3	$ 103.8	$ 169.8	$ 226.6	$ 263.2	$ 285.3	$ 295.4	$ 305.3	$ 313.2	$ 315.7
2013		36.5	109.7	174.3	228.8	266.5	289.3	306.9	318.2	325.4
2014			32.4	91.0	154.6	206.9	240.6	266.3	283.2	291.4
2015				33.7	86.9	140.2	195.6	236.4	263.9	289.3
2016					28.5	84.5	144.1	217.1	255.6	293.8
2017						27.8	83.0	158.8	238.5	295.2
2018							34.3	98.9	175.8	245.5
2019								32.4	113.6	186.1
2020									25.6	85.9
2021										27.6
									Total	$ 2,355.9
Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance										59.4
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 1,540.7

Accident Year	As of December 31, 2021 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2012	$ 329.3	$ 35.6	27,587
2013	357.3	48.4	27,258
2014	341.3	56.3	23,473
2015	347.9	54.2	21,729
2016	379.0	60.7	18,693
2017	431.7	102.3	20,868
2018	420.4	117.0	23,150
2019	427.1	181.8	22,270
2020	386.7	261.2	17,001
2021	416.5	366.6	11,344

(1) Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.
(2) During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31, 2021 is not comparable to the cumulative number of reported claims disclosed in previously issued financial statements.

Reporting Segment: *U.S. Operations*
Line of Business: *Professional*
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]	2021 [1]
2012	$ 27.8	$ 28.3	$ 28.6	$ 25.8	$ 24.0	$ 24.5	$ 24.9	$ 24.7	$ 24.4	$ 24.3
2013		20.9	21.5	21.1	19.0	19.8	19.5	18.3	18.1	18.0
2014			22.4	22.4	26.0	33.7	36.2	35.4	35.1	34.4
2015				29.9	29.5	33.2	34.0	37.1	37.9	38.3
2016					44.2	44.8	45.1	42.9	35.5	43.0
2017						60.1	61.8	78.3	87.9	99.5
2018							70.8	73.2	79.2	94.8
2019								94.4	96.8	105.0
2020									152.6	142.6
2021										177.9
									Total	777.8

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]	2021 [1]
2012	$ 2.3	$ 8.6	$ 16.9	$ 19.9	$ 21.4	$ 22.6	$ 23.5	$ 24.2	$ 24.0	$ 24.3
2013		1.9	6.3	10.9	14.2	17.6	17.5	17.9	17.9	17.9
2014			2.3	5.4	15.1	24.1	25.5	32.3	33.3	33.6
2015				1.8	8.3	15.6	20.8	26.2	31.3	31.7
2016					2.4	11.9	24.6	28.9	30.8	34.4
2017						3.5	24.9	38.0	59.7	77.9
2018							4.5	16.7	43.8	62.6
2019								4.9	32.9	50.0
2020									13.3	36.4
2021										12.1
									Total	$ 380.9
Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance										14.4
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 411.3

Accident Year	As of December 31, 2021 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2012	$ 24.3	$ 0.1	642
2013	18.0	0.1	625
2014	34.4	0.1	1,044
2015	38.3	2.2	1,831
2016	43.0	(0.1)	3,256
2017	99.5	4.2	3,759
2018	94.8	(0.5)	4,303
2019	105.0	22.5	5,091
2020	142.6	78.7	5,389
2021	177.9	149.2	5,208

(1) Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

(2) During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31,

Reporting Segment: ***U.S. Operations***
Line of Business: ***Property***
(in millions, except number of claims reported)

	Incurred Losses & ALAE, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 103.8	$ 101.8	$ 98.7	$ 98.8	$ 98.5	$ 98.7	$ 98.7	$ 98.6	$ 98.6	$ 97.4
2013		74.5	79.9	78.7	78.2	77.8	78.2	78.4	78.2	77.2
2014			80.4	82.2	77.0	77.1	76.9	76.9	76.1	76.0
2015				74.0	73.4	69.9	68.9	69.1	69.2	69.2
2016					59.4	57.6	57.1	56.6	56.6	56.5
2017						75.2	79.6	86.9	94.9	94.5
2018							89.2	93.1	95.1	96.9
2019								91.4	88.8	98.4
2020									129.5	133.2
2021										111.7
									Total	$ 911.0

	Cumulative Paid Losses & ALAE, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 70.1	$ 97.2	$ 98.0	$ 98.2	$ 98.4	$ 98.4	$ 98.7	$ 98.6	$ 98.6	$ 97.4
2013		52.5	73.2	75.5	77.4	77.1	75.9	78.1	78.2	77.2
2014			51.6	73.1	75.7	76.4	76.3	76.4	76.1	76.0
2015				44.6	67.6	68.6	67.9	68.3	68.5	69.0
2016					39.4	55.2	55.8	56.1	56.4	56.3
2017						54.4	95.3	113.9	100.8	88.4
2018							61.3	126.7	107.0	98.8
2019								55.8	82.4	90.9
2020									75.9	116.6
2021										71.3
									Total	841.9
Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance										(0.3)
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 68.8

	As of December 31, 2021		
Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2012	$ 97.4	$ 6.3	15,005
2013	77.2	0.9	10,717
2014	76.0	0.5	8,559
2015	69.2	0.8	7,746
2016	56.5	2.0	7,999
2017	94.5	—	10,388
2018	96.9	(12.9)	11,145
2019	98.4	2.1	11,724
2020	133.2	(9.3)	11,504
2021	111.7	(0.6)	9,265

(1) Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

(2) During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31,

Reporting Segment: *U.S. Operations*
Line of Business: *Specialty*
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 7.5	$ 6.7	$ 4.9	$ 4.3	$ 4.0	$ 3.9	$ 3.5	$ 3.6	$ 3.3	$ 3.3
2013		10.0	8.6	4.6	2.5	1.7	0.9	0.9	0.9	0.9
2014			13.1	13.1	8.9	6.0	4.8	4.6	4.6	4.1
2015				14.8	14.3	9.5	5.5	1.2	0.5	0.3
2016					15.0	15.0	11.2	6.2	4.7	3.3
2017						16.2	16.2	7.6	0.9	0.7
2018							20.9	17.4	3.3	3.5
2019								22.7	8.5	5.6
2020									25.4	10.3
2021										27.9
									Total	$ 59.9

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 3.6	$ 3.3	$ 3.3	$ 3.3	$ 3.3	$ 3.4	$ 3.3	$ 3.4	$ 3.4	$ 3.4
2013		0.4	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
2014			1.1	3.3	4.0	4.0	4.1	4.1	4.0	4.1
2015				0.2	0.1	0.2	0.3	0.3	0.3	0.3
2016					1.3	1.6	2.2	2.2	2.2	2.8
2017						0.3	0.1	—	0.1	0.2
2018							—	0.7	1.7	1.2
2019								0.7	0.7	3.2
2020									0.3	7.6
2021										0.3
									Total	24.0
Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance										0.6
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 36.5

	As of December 31, 2021		
Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2012	$ 3.3	$ —	121
2013	0.9	0.1	47
2014	4.1	—	45
2015	0.3	—	24
2016	3.3	0.9	56
2017	0.7	1.0	106
2018	3.5	2.6	142
2019	5.6	0.6	233
2020	10.3	2.3	409
2021	27.9	26.5	427

(1) Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

(2) During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31, 2021 is not comparable to the cumulative number of reported claims disclosed in previously issued financial statements.

Reporting Segment: *International Operations*
Operating Division: Argo *Insurance Bermuda*
Line of Business: *Liability*
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ 7.4	$ 7.4	$ 7.4	$ 5.6	$ 4.4	$ 1.7	$ —	$ 0.6	$ 0.6	$ 0.6
2013		8.5	8.5	8.5	8.5	4.9	2.2	5.3	5.3	6.0
2014			9.8	9.8	9.8	6.2	1.5	2.3	2.3	1.6
2015				11.3	14.3	24.8	35.4	45.4	45.1	51.3
2016					13.9	14.0	14.0	6.6	6.1	0.8
2017						17.1	17.3	26.9	30.3	37.3
2018							8.9	32.1	26.6	24.2
2019								13.3	13.6	13.8
2020									23.3	24.9
2021										12.3
									Total	$ 172.8

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	2.3	2.3	2.3	2.4	2.4
2014			—	—	0.1	0.1	1.2	1.2	1.4	1.4
2015				—	—	16.1	20.3	26.6	34.8	38.9
2016					—	—	—	0.1	0.1	0.2
2017						—	3.3	3.4	18.0	19.7
2018							—	13.8	18.3	18.5
2019								—	0.1	0.7
2020									0.8	7.0
2021										—
									Total	$ 88.8
	Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance									—
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 84.0

Accident Year	As of December 31, 2021 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2012	$ 0.6	$ 0.5	1,392
2013	6.0	0.7	1,200
2014	1.6	(0.4)	1,350
2015	51.3	—	1,613
2016	0.8	0.5	1,943
2017	37.3	10.4	2,129
2018	24.2	5.2	1,110
2019	13.8	12.7	1,168
2020	24.9	16.6	1,267
2021	12.3	12.3	1,053

(1) Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

(2) The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims.

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Liability***
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]	2021 [1]
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							17.8	19.6	19.5	19.9
2019								14.6	15.7	15.2
2020									15.2	14.6
2021										15.8
									Total	$ 65.5

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]	2021 [1]
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							0.6	2.5	5.9	6.1
2019								1.4	4.6	5.2
2020									1.1	1.5
2021										0.2
									Total	$ 13.0
Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance										3.7
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 56.2

Accident Year	As of December 31, 2021	
	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2012	$ —	$ —
2013	—	—
2014	—	—
2015	—	—
2016	—	—
2017	—	—
2018	19.9	5.0
2019	15.2	5.3
2020	14.6	8.0
2021	15.8	12.7

[1] Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

Reporting Segment: *International Operations*
Operating Division: *Syndicate 1200*
Line of Business: *Professional*
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]	2021 [1]
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							13.7	14.4	15.3	15.5
2019								19.5	20.9	20.2
2020									25.0	25.0
2021										24.9
									Total	$ 85.6

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]	2021 [1]
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							0.1	1.8	4.5	4.6
2019								2.7	8.7	9.1
2020									2.2	3.1
2021										0.7
									Total	$ 17.5
	Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance									10.5
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 78.6

Accident Year	As of December 31, 2021 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2012	$ —	$ —
2013	—	—
2014	—	—
2015	—	—
2016	—	—
2017	—	—
2018	15.5	4.6
2019	20.2	7.1
2020	25.0	12.0
2021	24.9	20.0

[1] Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Property***
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 [(1)]	2013 [(1)]	2014 [(1)]	2015 [(1)]	2016 [(1)]	2017 [(1)]	2018 [(1)]	2019 [(1)]	2020 [(1)]	2021 [(1)]
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							19.7	21.8	21.7	22.1
2019								37.2	40.1	38.7
2020									62.8	60.3
2021										113.5
									Total	$ 234.6

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2012 [(1)]	2013 [(1)]	2014 [(1)]	2015 [(1)]	2016 [(1)]	2017 [(1)]	2018 [(1)]	2019 [(1)]	2020[(1)]	2021 [(1)]
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							1.5	6.1	14.4	14.8
2019								9.5	31.9	36.0
2020									20.0	29.1
2021										15.6
									Total	$ 95.5
	Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance									—
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 139.1

Accident Year	As of December 31, 2021 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2012	$ —	$ —
2013	—	—
2014	—	—
2015	—	—
2016	—	—
2017	—	—
2018	22.1	0.2
2019	38.7	1.2
2020	60.3	6.0
2021	113.5	68.1

[(1)] Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Specialty***
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							43.8	53.8	55.0	53.0
2019								66.5	84.0	80.5
2020									109.8	108.2
2021										72.6
									Total	$ 314.3

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)	2021 (1)
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		—	—	—	—	—	—	—	—	—
2014			—	—	—	—	—	—	—	—
2015				—	—	—	—	—	—	—
2016					—	—	—	—	—	—
2017						—	—	—	—	—
2018							3.0	23.8	32.7	25.5
2019								31.3	65.8	65.8
2020									27.7	42.9
2021										9.7
									Total	$ 143.9
	Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance									—
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 170.4

Accident Year	As of December 31, 2021 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2012	$ —	$ —
2013	—	—
2014	—	—
2015	—	—
2016	—	—
2017	—	—
2018	53.0	2.2
2019	80.5	5.1
2020	108.2	19.8
2021	72.6	37.8

(1) Information presented for calendar years prior to 2021 is required supplementary information and is unaudited.

Syndicate 1200 Claim Frequency Information

Cumulative claim frequency information has been excluded from the Syndicate 1200 Liability, Professional, Property and Specialty incurred and paid claims development tables above due to the impracticality of obtaining such information at the level required for meaningful disaggregated disclosure.

Syndicate 1200 measures claim frequency based on the number of reported claims by individual claimant at a coverage level for non-bordereau reporting, which is consistent with market practices for insurance business sourced through open market channels. For claims reported on a bordereau for business sourced through channels such as Lloyd's authorized coverholders, which constitutes approximately half of the business written in Syndicate 1200, the number of reported claims is measured by bordereau report at a coverage level. This method of tracking and analyzing bordereau-reported claims is consistent with common industry practice within the Lloyd's market. The information for both bordereau and non-bordereau claims may be pooled dependent on the class of business and analyzed in the aggregate to determine the ultimate cost of settling the claims by line of business and Lloyd's year of account. Due to our methodology of establishing ultimate liabilities for Syndicate 1200 claims, there is not a reasonable way to disaggregate the IBNR reserves and expected development on reported claims between bordereau and non-bordereau business for separate disclosure.

The reconciliation of the net incurred and paid development tables to the liability for unpaid losses and LAE in our consolidated balance sheets is as follows:

(in millions)	As of December 31, 2021
Liabilities for unpaid losses and ALAE:	
US Operations:	
Liability	$ 1,540.7
Professional	411.3
Property	68.8
Specialty	36.5
International Operations:	
Argo Insurance Bermuda- Liability	84.0
Syndicate 1200 - Liability	56.2
Syndicate 1200 - Professional	78.6
Syndicate 1200 - Property	139.1
Syndicate 1200 - Specialty	170.4
Run-off Lines	183.4
Other lines	302.6
Total liabilities for unpaid losses and ALAE, net of reinsurance	3,071.6
Reinsurance recoverables on unpaid losses and LAE:	
US Operations:	
Liability	825.4
Professional	251.3
Property	206.9
Specialty	11.4
International Operations:	
Argo Insurance Bermuda- Liability	207.6
Syndicate 1200 - Liability	30.8
Syndicate 1200 - Professional	74.6
Syndicate 1200 - Property	102.6
Syndicate 1200 - Specialty	103.3
Run-off Lines	82.5
Other lines	575.4
Total reinsurance recoverables on unpaid losses and LAE	2,471.8
Unallocated loss adjustment expenses	70.4
Unamortized reserve discount	(18.8)
Gross liability for unpaid losses and LAE	$ 5,595.0

Other lines in the table above is comprised of lines of business and operating divisions within our two ongoing reporting segments which are not individually significant for separate disaggregated disclosure.

Claims Duration

The following table provides supplementary unaudited information about the annual percentage payout of incurred losses and ALAE, net of reinsurance, as of December 31, 2021:

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance [1]										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Remainder
U.S. Operations:											
US Liability	8.9%	17.6%	18.2%	18.3%	11.5%	8.3%	5.2%	3.6%	2.4%	1.7%	4.3%
US Professional	6.1%	19.1%	22.0%	18.6%	12.5%	8.9%	5.5%	3.2%	1.8%	1.0%	1.2%
US Property	58.4%	32.5%	5.7%	2.3%	0.7%	0.2%	0.1%	—%	—%	—%	—%
US Specialty	52.7%	22.8%	19.2%	3.4%	1.2%	0.4%	0.1%	0.1%	—%	—%	—%
International Operations:											
Bermuda Insurance Liability	0.6%	14.2%	12.7%	13.2%	12.2%	10.5%	8.6%	6.8%	5.3%	4.0%	11.9%
S1200 Liability	6.3%	11.5%	13.4%	15.0%	16.0%	11.7%	6.9%	5.2%	3.7%	2.7%	7.6%
S1200 Professional	7.3%	12.5%	18.5%	17.6%	12.4%	8.7%	5.9%	4.5%	3.2%	2.3%	7.1%
S1200 Property	33.8%	39.2%	14.3%	8.4%	2.7%	0.8%	0.4%	0.2%	0.1%	—%	0.1%
S1200 Specialty	32.0%	36.4%	16.7%	9.2%	3.0%	1.5%	0.6%	0.3%	0.1%	—%	—%

(1) The average annual percentage payout is calculated from a paid losses and ALAE development pattern based on an actuarial analysis of the paid losses and ALAE movements by accident year for each disaggregation category. The paid losses and ALAE development pattern provides the expected percentage of ultimate losses and ALAE to be paid in each year. The pattern considers all accident years included in the claims development tables.

Information About Amounts Reported at Present Value

We discount certain workers compensation liabilities for unpaid losses and LAE within our U.S. Operations and Run-off Lines segments. The discounted U.S. Operations liabilities relate to all non-ALAE workers compensation liabilities within one of our insurance subsidiaries. In Run-off Lines, we discount certain pension-type liabilities for unpaid losses and LAE. The following tables provide information about these discounted liabilities for unpaid losses and LAE:

	Carrying Amount of Reserves for Losses & LAE			Aggregate Amount of Discount		
	As of December 31,			As of December 31,		
(in millions, except discount percentages)	2021	2020	2019	2021	2020	2019
US Operations:						
Commercial Specialty - Liability	$ 163.1	$ 150.4	$ 153.1	$ 14.1	$ 12.9	$ 13.0
Run-off Lines	114.3	128.4	148.9	4.7	4.9	4.9
Total	$ 277.4	$ 278.8	$ 302.0	$ 18.8	$ 17.8	$ 17.9

	Interest Accretion [1]			Discount Rate		
	For the Years Ended December 31,			As of December 31,		
	2021	2020	2019	2021	2020	2019
US Operations:						
Commercial Specialty - Liability	$ 0.9	$ 1.9	$ 1.3	2.25%	2.25%	2.25%
Run-off Lines	0.2	—	0.2	3.50%	3.50%	3.50%
Total	$ 1.1	$ 1.9	$ 1.5			

(1) Interest accretion is recorded in the line item “Losses and loss adjustment expenses” in our Consolidated Statements of Income (Loss).

8. Run-off Lines

We have discontinued active underwriting of certain lines of business, including those lines that were previously recorded in Argo Group's risk-management segment. All current activity within these lines is related to the management of claims and other administrative functions. Also included in Run-off Lines are other liability reserves, which include exposure to claims for asbestos and environmental liabilities written in past years. The other liability reserves are often characterized by long elapsed periods between the occurrence of a claim and ultimate payment to resolve the claim. We use a specialized staff dedicated to administer and settle these claims.

The following table presents our gross reserves for Run-off Lines as of December 31:

(in millions)	December 31, 2021	December 31, 2020
Asbestos and Environmental:		
Reinsurance assumed	$ 29.6	$ 29.4
Other	34.2	29.9
Total Asbestos and Environmental	63.8	59.3
Risk-management	162.6	162.4
Run-off reinsurance lines	0.5	0.5
Other run-off lines	34.3	14.3
Gross reserves - Run-off Lines	$ 261.2	$ 236.5

We have received asbestos and environmental liability claims arising from other liability coverage primarily written in the 1960s, 1970s and into the early 1980s. Asbestos and environmental claims originate from policies directly underwritten by us and from reinsurance assumed during this period, including a portion assumed from the London market. Reserves for other run-off lines relate to other liability coverage primarily written in the 1970's, with recent claim activity relating to abuse claims. The following table represents the total gross reserves for our asbestos exposure:

(in millions)	December 31, 2021	December 31, 2020	December 31, 2019
Direct written			
Case reserves	$ 3.0	$ 3.1	$ 2.7
Unallocated loss adjustment expense ("ULAE")	0.5	0.5	0.5
Incurred but not reported ("IBNR")	19.9	20.2	16.1
Total direct written reserves	23.4	23.8	19.3
Assumed domestic			
Case reserves	7.4	8.4	9.1
ULAE	0.8	0.8	0.8
IBNR	11.9	12.8	11.2
Total assumed domestic reserves	20.1	22.0	21.1
Assumed London			
Case reserves	2.1	1.4	1.3
IBNR	2.3	1.6	1.1
Total assumed London reserves	4.4	3.0	2.4
Total asbestos reserves	$ 47.9	$ 48.8	$ 42.8

The following table presents our underwriting losses for Run-off Lines:

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Asbestos and Environmental:			
Reinsurance assumed	$ (4.7)	$ (5.7)	$ (4.4)
Other	(10.0)	(11.7)	(3.9)
Total Asbestos and Environmental	(14.7)	(17.4)	(8.3)
Risk-management	(9.9)	7.6	(4.9)
Run-off reinsurance lines	—	0.4	0.7
Other run-off lines	(20.1)	(3.4)	(1.7)
Total underwriting loss - Run-off Lines	$ (44.7)	$ (12.8)	$ (14.2)

Reserves for asbestos and environmental claims cannot be estimated with traditional loss reserving techniques that rely on historical accident year loss development factors. The uncertainty in the asbestos and environmental reserves estimates arises from several factors including lack of actuarially credible historical data, inapplicability of standard actuarial projection techniques, uncertainty with regards to claim costs, coverage interpretations and judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. It is impossible to predict how the courts will interpret coverage issues and these resolutions may have a material impact on the ultimate resolution of the asbestos and environmental liabilities. We use a variety of estimation methods to calculate reserves as a whole; however, reserves for asbestos and environmental claims were determined using a variety of methods which rely on historical claim reporting and average claim cost information. We apply greatest weight to the method that projects future calendar period claims and average claim costs because it best captures the unique claim characteristics of our underlying exposures. Although management has recorded its best estimate of loss reserves, due to the uncertainties of estimation of liability that may arise as discussed herein, further deterioration of claims could occur in the future.

Please see Note 7, "Reserves for Losses and Loss Adjustment Expenses" for further discussion.

9. Long-term Debt

Senior Unsecured Fixed Rate Notes

In September 2012, Argo Group (the "Parent Guarantor"), through its subsidiary Argo Group U.S. (the "Subsidiary Issuer"), issued \$143,750,000 aggregate principal amount of the Subsidiary Issuer's 6.5% Senior Notes due September 15, 2042 (the "Notes"). The Notes are unsecured and unsubordinated obligations of the Subsidiary Issuer and rank equally in right of payment with all of the Subsidiary Issuer's other unsecured and unsubordinated debt. The Notes are guaranteed on a full and unconditional senior unsecured basis by the Parent Guarantor. The Notes may be redeemed, for cash, in whole or in part, on or after September 15, 2017, at the Subsidiary Issuer's option, at any time and from time to time, prior to maturity at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date.

In accordance with ASU 2015-3, "Simplifying the Presentation of Debt Issuance Costs" (Topic 835), we present the unamortized debt issuance costs in the balance sheet as a direct deduction from the carrying value of the debt liability. At December 31, 2021 and 2020, the Notes consisted of the following:

(in millions)	December 31, 2021	December 31, 2020
Senior unsecured fixed rate notes		
Principal	$ 143.8	$ 143.8
Less: unamortized debt issuance costs	(3.5)	(3.6)
Senior unsecured fixed rate notes, less unamortized debt issuance costs	$ 140.3	$ 140.2

Junior Subordinated Debentures

Through a series of trusts, that are wholly-owned subsidiaries (non-consolidated), we issued debt. The debentures are variable with the rate being reset quarterly and subject to certain interest rate ceilings. Interest payments are payable quarterly. The debentures are all unsecured and are subordinated to other indebtedness. At December 31, 2021 and 2020, all debentures were eligible for redemption subject to certain terms and conditions at a price equal to 100% of the principal plus accrued and unpaid interest.

A summary of our outstanding junior subordinated debentures is presented below:

December 31, 2021

(in millions)

Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rate at December 31, 2021	Amount
Argo Group					
5/15/2003	PXRE Capital Statutory Trust II	5/15/2033	3M LIBOR + 4.10%	4.26%	$ 18.0
11/6/2003	PXRE Capital Trust VI	9/30/2033	3M LIBOR + 3.90%	4.12%	10.3
Argo Group US					
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	4.26%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	4.22%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	4.00%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	4.02%	12.4
5/12/2004	Argonaut Group Statutory Trust VI	6/17/2034	3M LIBOR + 3.80%	4.02%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	3.80%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	3.76%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	3.80%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	3.60%	30.9
	Total Outstanding				$ 172.7

December 31, 2020

(in millions)

Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rate at December 31, 2020	Amount
Argo Group					
5/15/2003	PXRE Capital Statutory Trust II	5/15/2033	3M LIBOR + 4.10%	4.32%	$ 18.0
11/6/2003	PXRE Capital Trust VI	9/30/2033	3M LIBOR + 3.90%	4.15%	10.3
Argo Group US					
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	4.32%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	4.34%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	4.07%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	4.05%	12.4
5/12/2004	Argonaut Group Statutory Trust VI	6/17/2034	3M LIBOR + 3.80%	4.03%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	3.82%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	3.79%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	3.82%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	3.62%	30.9
	Total Outstanding				$ 172.7

Junior Subordinated Debentures from Maybrooke Acquisition

Unsecured junior subordinated debentures with a principal balance of $91.8 million were assumed through the acquisition of Maybrooke (“the acquired debt”). The acquired debt is carried on our consolidated balance sheet at $85.5 million, which represents the debt’s fair value at the date of acquisition plus accumulated accretion of discount to par value, as required by accounting for business combinations under ASC 805. At December 31, 2021, the acquired debt was eligible for redemption at par. Interest accrues on the acquired debt based on a variable rate, which is reset quarterly. Interest payments are payable quarterly.

A summary of the terms of the acquired debt outstanding is presented below:

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2021	Principal at December 31, 2021	Carrying Value at December 31, 2021
9/13/2007	9/15/2037	3 month LIBOR + 3.15%	3.35 %	$ 91.8	$ 85.5

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2020	Principal at December 31, 2020	Carrying Value at December 31, 2020
9/13/2007	9/15/2037	3 month LIBOR + 3.15%	3.37 %	$ 91.8	$ 85.1

Other Indebtedness

Our consolidated balance sheets include various long-term debt instruments under the caption "other indebtedness," as detailed in the table below. Information regarding the terms and principal amounts of each of these debt instruments is also provided.

(in millions)

Debt Type	December 31, 2021	December 31, 2020
Floating rate loan stock	$ 57.0	$ 60.7
Total other indebtedness	$ 57.0	$ 60.7

Floating Rate Loan Stock

Certain unsecured, unsubordinated debt was assumed through the acquisition of Argo Underwriting Agency, Ltd. At December 31, 2021 and 2020, all notes were eligible for redemption subject to certain terms and conditions at a price equal to 100% of the principal plus accrued and unpaid interest. Interest on the U.S. dollar and euro notes is due semiannually and quarterly, respectively. A summary of the notes outstanding at December 31, 2021 and 2020 is presented below:

(in millions)

Currency	Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2021	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	4.35%	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	4.15%	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month Euribor + 4.0%	3.44%	13.5
Euro	10/31/2006	11/22/2036	3 month Euribor + 4.0%	3.44%	11.8
Euro	6/8/2007	9/15/2037	3 month Euribor + 3.9%	3.30%	15.2
Total Euro notes					40.5
Total notes outstanding					$ 57.0

(in millions)

Currency	Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2020	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	4.54%	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	4.34%	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month Euribor + 4.0%	3.47%	14.7
Euro	10/31/2006	11/22/2036	3 month Euribor + 4.0%	3.47%	12.9
Euro	6/8/2007	9/15/2037	3 month Euribor + 3.9%	3.36%	16.6
Total Euro notes					44.2
Total notes outstanding					$ 60.7

No principal payments have been made since the acquisition of Argo Underwriting Agency, Ltd. The floating rate loan stock denominated in euros fluctuates due to foreign currency translation. The outstanding balance on these loans was $40.5 million and $44.2 million as of December 31, 2021 and 2020, respectively. The foreign currency translation adjustment is recorded in our consolidated statements of income (loss).

The following table presents interest and maturities of long-term debt as of December 31, 2021:

		For the Years Ended					
(in millions)	Total	2022	2023	2024	2025	2026	Thereafter
Long-term debt:							
Junior subordinated debentures (1)	421.4	10.4	11.3	11.8	11.8	11.8	364.3
Senior unsecured fixed rate notes (2)	335.4	9.3	9.4	9.3	9.4	9.3	288.7
Floating rate loan stock (3)	88.6	2.1	2.2	2.2	2.2	2.2	77.7

(1) Interest only on Junior Subordinated Debentures through 2037. Interest calculated based on interest rate forecast. Principal due beginning May 2033.

(2) Interest only on Senior Unsecured Fixed Rate Notes through 2042. Interest calculated based on the fixed rate of the notes. Principal due September 2042.

(3) Interest only on Floating Rate Loan Stock through 2034. Interest calculated based on interest rate forecast. Principal due beginning November 2034.

Borrowing Under Revolving Credit Facility

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 "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement includes a one-time borrowing of $125 million for a term loan (the "Term Loan"), and a $200 million revolving credit facility. The Company used most of the net proceeds from the Preferred Stock Offering (as defined in Note 11 "Shareholders' Equity") to pay off the Term Loan in September 2020. The Credit Agreement matures on November 2, 2023.

Borrowings under the Credit Agreement may be used for general corporate purposes, including working capital, permitted acquisitions and letters of credit, 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 immediately 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.

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. At December 31, 2021 and 2020, there were $40.3 million and $70.5 million of LOCs, respectively, issued against the Credit Facility.

Letter of Credit Facilities

Argo Re may be required to secure its obligations under various reinsurance contracts in certain circumstances. In order satisfy these requirements, Argo Re has entered into one committed and two uncommitted secured bilateral LOC facilities with commercial banks and generally uses these facilities to issue LOCs in support of non-admitted reinsurance obligations in the U.S. and other jurisdictions. The committed LOC facility has a term of one year and includes customary conditions and event of default provisions.

Issuance of LOCs using the uncommitted LOC facilities is at the discretion of the lenders. The availability of letters of credit under these secured facilities are subject to a borrowing base requirement, determined on the basis of specified percentages of the market value of eligible categories of securities pledged to the lender. On December 31, 2021, committed and uncommitted letter of credit facilities totaled $205 million.

In addition to the bilateral, secured letters of credit facilities described above, Argo Re can use other forms of collateral to secure these reinsurance obligations including trust accounts, cash deposits, LOCs issued by commercial banks on an uncommitted basis and the Credit Agreement.

On December 31, 2021, LOCs totaling $167.4 million were outstanding, of which $59.2 million were issued against the committed, secured bilateral LOC facility and $108.2 million were issued by commercial banks against the uncommitted, secured bilateral LOC facilities, and $0.26 million issued by commercial bank against uncommitted, secured bilateral LOC facility. Collateral with a market value of $193.9 million was pledged to these banks as security against these LOCs.

In November 2021, Argo Group executed a LOC facility with a commercial bank to issue LOCs in favor of Lloyd's to support its Funds at Lloyd's requirements. This facility has an initial term of one year, and is unsecured, renewable and includes customary conditions and event of default provisions. At December 31, 2021, a LOC in the amount of £26 million ($35.1 million) was issued in favor of Lloyd's, which allowed the Company to reduce its other collateral pledged to Lloyd's by a comparable amount.

Other Debt

Argo Group also has entered into agreements with commercial banks to issue unsecured LOCs that support its insurance and general operations. LOCs in the amount of $5.0 million and $3.9 million were outstanding as of December 31, 2021 and December 31, 2020, respectively.

10. 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 December 31, 2021 and 2020, the fair value of our debt instruments is determined using both Level 1 and Level 2 inputs, as previously defined in Note 3, "Investments".

We receive fair value prices from third-party pricing services for our financial instruments as well as for similar financial instruments. These prices are determined using observable market information such as publicly traded quoted prices, and trading prices for similar financial instruments actively being traded in the current market. We have reviewed the processes used by the third-party providers for pricing the 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 December 31, 2021 and December 31, 2020. A description of the valuation techniques we use to measure these liabilities at fair value is as follows:

Senior Unsecured Fixed Rate Notes Level 1:

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

Junior Subordinated Debentures and Floating Rate Loan Stock Level 2:

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

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

	December 31,			
	2021		2020	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Junior subordinated debentures:				
Trust preferred debentures	$ 172.7	$ 172.9	$ 172.7	$ 173.6
Subordinated debentures	85.5	91.9	85.1	92.3
Total junior subordinated debentures	258.2	264.8	257.8	265.9
Senior unsecured fixed rate notes	140.3	148.4	140.2	146.7
Floating rate loan stock	57.0	57.1	60.7	61.0

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

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

(a) Quoted prices in active markets for identical assets

(b) Significant other observable inputs

(c) Significant unobservable inputs

		Fair Value Measurements at Reporting Date Using		
(in millions)	December 31, 2020	Level 1 (a)	Level 2 (b)	Level 3 (c)
Junior subordinated debentures:				
Trust preferred debentures	$ 173.6	$ —	$ 173.6	$ —
Subordinated debentures	92.3	—	92.3	—
Total junior subordinated debentures	265.9	—	265.9	—
Senior unsecured fixed rate notes	146.7	146.7	—	—
Floating rate loan stock	61.0	—	61.0	—
	473.6	146.7	326.9	—

(a) Quoted prices in active markets for identical assets

(b) Significant other observable inputs

(c) Significant unobservable inputs

11. Shareholders' Equity

Preferred Stock

At December 31, 2021, we have issued and outstanding 6,000 shares of our Series A Preference Shares (equivalent to 6,000,000 depositary shares, each representing a 1/1,000th interest in a Series A Preference Share) with a $25,000 liquidation preference per share (equivalent to $25 per depositary share) (the "Preferred Stock Offering").

Dividends to the holders of the Series A Preference Shares will be payable on a non-cumulative basis only when, as and if declared by our Board of Directors or a duly authorized committee thereof, quarterly in arrears on the 15th of March, June, September, and December of each year, commencing on September 15, 2020, at a rate equal to 7.00% of the liquidation preference per annum (equivalent to $1,750 per Series A Preference Share and $1.75 per depositary share per annum) up to but excluding September 15, 2025. Beginning on September 15, 2025, any such dividends will be payable on a non-cumulative basis, only when, as and if declared by our Board of Directors or a duly authorized committee thereof, during each reset period, at a rate per annum equal to the Five-Year U.S. Treasury Rate as of the most recent reset dividend determination date (as described in the Company's prospectus supplement dated July 7, 2020) plus 6.712% of the liquidation preference per annum.

So long as any Series A Preference Shares remain outstanding, unless dividends on all outstanding Series A Preference Shares payable on a dividend payment date have been declared and paid or provided for in full, (1) no dividend shall be paid or declared on our common shares or any other junior shares or any parity shares, other than a dividend payable solely in our common shares, other junior shares or (solely in the case of parity shares) other parity shares, as applicable, and (2) no common shares, other junior shares or parity shares shall be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior shares for or into other junior shares, or a reclassification of parity shares for or into other parity shares, or the exchange or conversion of one junior share for or into another junior share or the exchange or conversion of one parity share for or into another parity share, (ii) through the use of the proceeds of a substantially contemporaneous sale of junior shares or (solely in the case of parity shares) other parity shares, as applicable, or (iii) as required by or necessary to fulfill the terms of any employment contract, benefit plan or similar arrangement with or for the benefit of one or more employees, directors or consultants), in each case, during the following dividend period.

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Argo Group holders of the Series A Preference Shares are entitled to receive out of our assets available for distribution to shareholders, before any distribution is made to holders of our common shares or other junior shares, a liquidating distribution in the amount of $25,000 per Series A Preference Share (equivalent to $25 per depositary share) plus the amount of declared and unpaid dividends, if any, to the date fixed for distribution, without interest on such unpaid dividends. Distributions will be made pro rata in accordance with the respective aggregate liquidation preferences of the Series A Preference Shares and any parity shares, and only to the extent of our assets, if any, that are available after satisfaction of all liabilities to creditors.

Neither the depositary shares nor the underlying Series A Preference Shares will be convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Argo Group or our subsidiaries. Neither the depositary shares nor the underlying Series A Preference Shares have a stated maturity or will be subject to any sinking fund, retirement fund, or purchase fund or other obligation of ours to redeem, repurchase or retire the depositary shares or the Series A Preference Shares.

We may redeem the Series A Preference Shares at our option, in whole or in part, from time to time, on or after September 15, 2025, at a redemption price equal to $25,000 per share (equivalent to $25 per depositary share), plus the amount of declared and unpaid dividends, if any, without interest on such unpaid dividends. In addition, we may redeem the Series A Preference Shares in specified circumstances relating to certain corporate, regulatory, rating agency or tax events; provided that no such redemption may occur prior to September 15, 2025 unless one of the redemption requirements is satisfied. The depositary shares will be redeemed only if and to the extent the related Series A Preference Shares are redeemed by us.

The Series A Preference Shares will not have voting rights, except under limited circumstances.

During 2021, our Board declared quarterly cash dividends totaling $1,750.000 on each share of our Series A Preference Shares, or $1.75000 per depositary share, outstanding to our shareholders of record. For the year ended December 31, 2021, we paid cash dividends totaling $10.5 million to our preferred shareholders.

We are authorized to issue 30 million shares of $1.00 par value preferred shares. As of December 31, 2021 and 2020, 6,000 preferred shares were issued and outstanding.

Common Stock

During 2021, our Board declared quarterly cash dividends totaling $1.24 on each share of common stock outstanding to our shareholders of record. For the year ended December 31, 2021, we paid cash dividends totaling $43.9 million to our common shareholders.

During 2020, our Board declared quarterly cash dividends totaling $1.24 on each share of common stock outstanding. For the year ended December 31, 2020, we paid cash dividends totaling $43.0 million to our shareholders.

During 2019, our Board declared quarterly cash dividends totaling $1.24 on each share of common stock outstanding. For the year ended December 31, 2019, we paid cash dividends totaling $43.1 million to our shareholders.

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. As of December 31, 2021, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

For the years ended December 31, 2021 and 2020, we did not repurchase any common shares. The repurchase of common stock is also subject to the terms of our Series A Preference Shares, pursuant to which we may not (other than in limited circumstances) purchase, redeem or otherwise acquire our common stock unless the full dividends for the latest completed dividend period on all outstanding shares of our Series A Preferred Stock have been declared and paid or provided for.

12. Accumulated Other Comprehensive Income (Loss)

A summary of changes in accumulated other comprehensive income (loss), net of taxes (where applicable) by component for the year ended December 31, 2021 and 2020 is presented below:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2020	$ (22.6)	$ 33.5	$ (8.1)	$ 2.8
Other comprehensive income (loss) before reclassifications	(15.3)	78.7	(0.5)	62.9
Amounts reclassified from accumulated other comprehensive loss	—	(12.8)	—	(12.8)
Net current-period other comprehensive income (loss)	(15.3)	65.9	(0.5)	50.1
Cumulative effect of adoption of ASU 2016-13	—	5.7	—	5.7
Balance, December 31, 2020	(37.9)	105.1	(8.6)	58.6
Other comprehensive (loss) income before reclassifications	2.6	(77.4)	1.5	(73.3)
Amounts reclassified from accumulated other comprehensive income	—	(8.0)	—	(8.0)
Net current-period other comprehensive (loss) income	2.6	(85.4)	1.5	(81.3)
Balance, December 31, 2021	$ (35.3)	$ 19.7	$ (7.1)	$ (22.7)

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 (Loss):

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Unrealized gains and losses on securities:			
Net realized investment losses (gains)	$ (12.2)	$ (12.8)	$ 9.9
(Benefit) provision for income taxes	4.2	—	(1.2)
Net of taxes	$ (8.0)	$ (12.8)	$ 8.7

13. Net (Loss) Income Per Common Share

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

(in millions, except number of shares and per share amounts)	For the Years Ended December 31, 2021	2020	2019
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Less: Preferred share dividends	10.5	4.6	—
Net loss attributable to common shareholders	(3.8)	(58.7)	(14.1)
Weighted average common shares outstanding - basic	34,816,160	34,614,813	34,205,954
Effect of dilutive securities:			
Equity compensation awards	—	—	—
Weighted average common shares outstanding - diluted	34,816,160	34,614,813	34,205,954
Net income (loss) per common share:			
Basic	$ (0.11)	$ (1.70)	$ (0.41)
Diluted	$ (0.11)	$ (1.70)	$ (0.41)

Excluded from the weighted average common shares outstanding calculation are 11,315,889 shares, which are held as treasury shares, at December 31, 2021, 2020 and 2019, respectively. The shares are excluded as of their repurchase date. Due to the net losses incurred during the years ended December 31, 2021, 2020 and 2019, the potentially dilutive securities that were anti-dilutive, and therefore, omitted from the calculation were 208,524, 197,035, and 587,462 shares, respectively.

14. 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, less estimated forfeiture.

We estimate forfeitures based on historical forfeitures patterns, thereby recognizing expense only for those awards that are expected to vest. The estimate of forfeitures is adjusted as actual forfeitures differ from our estimate, resulting in recognition of compensation expense only for those awards that actually vest.

The compensation expense recognized under all our share-based payment plans was $8.0 million ($6.9 million, net of tax), $8.7 million ($7.8 million, net of tax) and $16.9 million ($15.5 million, net of tax) for the years ended December 31, 2021, 2020 and 2019, respectively. The compensation expense is included in “Underwriting, acquisition and insurance expenses” in our Consolidated Statements of Income (Loss).

We present all tax benefits resulting from the exercise of stock options and vesting of non-vested shares as cash flows from operating activities. Excess tax benefits are realized tax benefits from tax deductions for exercised options and vested shares in excess of the deferred tax asset attributable to stock compensation costs for such options. Such tax benefits and cash flows were immaterial for all reporting periods.

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 our 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. 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 are settled in stock will count as one share for the purposes of reducing the share reserve under the 2019 Plan. Shares issued under this plan may be shares that are authorized and unissued or shares that we reacquired, including shares purchased on the open market.

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

Performance Shares

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

A summary of non-vested performance share activity as of December 31, 2021 and changes during the year then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2021	157,847	$ 43.10
Granted	100,291	$ 54.79
Vested and issued	(8,987)	$ 44.49
Expired or forfeited	(48,587)	$ 48.74
Outstanding at December 31, 2021	200,564	$ 47.52

As of December 31, 2021, there was $4.4 million of total unrecognized compensation cost related to performance share compensation arrangements granted by Argo Group. The weighted-average period over which this unrecognized expense is expected to be recognized is 1.7 years. The total fair value of shares vested during the year ended December 31, 2021 was $0.4 million.

Restricted Shares

A summary of restricted share activity as of December 31, 2021 and changes during the year then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2021	370,027	$ 44.22
Granted	168,011	$ 55.12
Vested and issued	(143,744)	$ 46.08
Expired or forfeited	(115,864)	$ 44.88
Outstanding at December 31, 2021	278,430	$ 49.57

As of December 31, 2021, there was $9.6 million of total unrecognized compensation cost related to restricted share compensation arrangements granted by Argo Group. The weighted-average period over which this unrecognized expense is expected to be recognized is 2.4 years. The total fair value of shares vested during the year ended December 31, 2021 was $6.6 million.

Stock-settled Share Appreciation Rights

For the year ended December 31, 2021, 129,977 stock settled appreciation rights ("SARs") were exercised, with an intrinsic value of $2.2 million. At December 31, 2021, 10,178 SARs remain issued and outstanding. No expense was recognized on the SARs for the year ended December 31, 2021 as all awards had previously been expensed. If not exercised, all remaining awards will expire during 2022.

Employees Share Purchase Plans

We have established an employee stock purchase plan for eligible employees (Argo Group’s 2007 Employee Share Purchase Plan). Under this plan, newly issued shares of our common stock may be purchased over an offering period of three months at 85% of the lower of the market value on the first day of the offering period or on the designated purchase date at the end of the offering period. We have also established a “Save As You Earn Plan” for our United Kingdom (“U.K.”) employees. Under this plan, newly issued shares of our common stock may be purchased over an offering period of three or five years at 85% of the market value of the common shares on the first day of the offering period. Expense recognized under these plans for the years ended December 31, 2021, 2020 and 2019 was $0.5 million, $0.7 million and $0.5 million, respectively.

15. Underwriting, Acquisition and Insurance Expenses

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were as follows:

	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Commissions	$ 289.5	$ 268.0	$ 241.3
Other underwriting and insurance expenses	428.6	409.0	412.3
Total	718.1	677.0	653.6
Net deferral of policy acquisition costs	(15.8)	(9.3)	12.4
Total underwriting, acquisition and insurance expenses	$ 702.3	$ 667.7	$ 666.0

16. 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 U.S. or the U.K. and, accordingly, do not expect to be subject to direct U.S. or U.K. income taxation.

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

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

We also have operations in Belgium, Brazil, 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.

On June 10, 2021, U.K. tax legislation referred to as Finance Act 2021 received Royal Assent and was enacted. The effects of changes in tax laws and tax rates are recognized in the period of enactment. Accordingly, we recorded the impacts of Finance Act 2021 in our June 30, 2021 consolidated financial statements which primarily includes the remeasurement of our deferred tax assets and liabilities for the increased U.K. federal tax rate from 19% to 25% beginning on April 1, 2023. The remeasurement resulted in an increase of net deferred tax assets of $7.4 million. Subsequently, in the three months ended December 31, 2021 an additional increase of $0.9 million of net deferred tax assets were remeasured resulting in a cumulative deferred tax asset increase of $8.3 million for the period ending December 31, 2021.

The following table presents the components of income tax provision (benefit) included in the amounts reported in our consolidated financial statements:

(in millions)	For the Years Ended December 31, 2021	2020	2019
Current income tax provision (benefit) related to:			
United States (Federal)	$ 35.4	$ 28.0	$ 37.3
United States (State)	$ 2.4	$ 1.4	$ 1.7
United Kingdom	(2.2)	(0.1)	(1.5)
Other jurisdictions	1.6	— (1)	0.1
Total current income tax provision	37.2	29.3	37.6
Deferred income tax provision (benefit) related to:			
United States	(26.3)	(5.1)	(17.7)
United Kingdom	(12.3)	(16.6)	(5.8)
Other jurisdictions	—	0.1	—
Total deferred income tax (benefit)	(38.6)	(21.6)	(23.5)
Income tax provision (benefit)	$ (1.4)	$ 7.7	$ 14.1

(1) Tax expense for the respective year was less than $0.1 million.

Our expected income tax provision (benefit) 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 years ended December 31, 2021, 2020 and 2019, pre-tax income (loss) attributable to our operations and the operations' effective tax rates were as follows:

(in millions)	2021		2020		2019	
	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (18.0)	— %	$ (56.2)	— %	$ (34.7)	— %
United States	65.6	18.1 %	103.3	22.7 %	84.7	24.6 %
United Kingdom	(61.1)	24.4 %	(100.6)	15.7 %	(45.9)	14.9 %
Barbados	— (1)	— %	— (1)	— %	— (1)	— %
Belgium	—	— %	0.2	30.7 %	— (1)	15.8 %
Brazil	15.3	10.4 %	3.9	— %	5.2	— %
United Arab Emirates	1.4	— %	2.1	— %	0.4	— %
Ireland	(0.2)	— %	1.8	— %	(0.1)	— %
Italy	1.4	— %	0.6	— %	(7.4)	— %
Malta	0.9	— %	(1.4)	— %	(2.0)	— %
Switzerland	— (1)	— %	(0.1)	— %	(0.2)	(0.2)%
Pre-tax income (loss)	$ 5.3	(26.4)%	$ (46.4)	(16.6)%	$ —	— % (2)

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

(2) Not meaningful.

Our effective tax rate may vary significantly from period to period depending on the jurisdiction generating the pre-tax income (loss) and its corresponding statutory tax rate. The geographic distribution of pre-tax income (loss) can fluctuate significantly between periods given the inherent nature of our business. A reconciliation of the difference between the provision for income taxes and the expected tax provision (benefit) at the weighted average tax rate is as follows:

(in millions)	For the Years Ended December 31, 2021	2020	2019
Income tax provision (benefit) at expected rate	$ 9.8	$ 4.0	$ 8.9
Tax effect of:			
Nontaxable investment income	(0.5)	(0.7)	(1.2)
Foreign exchange adjustments	(0.7)	1.6	(0.1)
Impairment of goodwill	8.2	1.0	2.9
Withholding taxes	0.1	0.1	0.2
Change in uncertain tax position liability	(4.5)	0.7	1.4
Change in valuation allowance	(0.7)	0.5	(1.8)
Impact of change in tax rate related to Finance Act 2021	(8.3)	—	—
Brazil Premiums and Underwriting	(5.3)	—	—
Other	0.5	0.5	3.8
Income tax provision (benefit)	$ (1.4)	$ 7.7	$ 14.1

The net deferred tax asset (liability) comprises the tax effects of temporary differences related to the following assets and liabilities:

(in millions)	December 31, 2021	2020
Deferred tax assets:		
Losses and loss adjustment expense reserve discounting	$ 35.4	$ 29.2
Unearned premiums	27.0	25.9
Net operating loss carryforwards	31.6	27.9
Investment in limited partnership interests	21.1	7.8
Unrealized losses on equity securities	8.6	—
Investments	—	2.0
Right of use assets	13.5	12.7
Accrued bonus	5.8	6.3
Stock option expense	1.1	0.7
United Kingdom underwriting results	28.1	21.9
Other	10.6	9.6
Deferred tax assets, gross	182.8	144.0
Deferred tax liabilities:		
Unrealized gains on equity securities	—	(5.7)
Unrealized gains on fixed maturities and other investment securities	(4.8)	(22.3)
Unrealized gains on limited partnership interests	(26.3)	(14.7)
Investments	(5.1)	—
Depreciable fixed assets	(7.9)	(20.5)
Deferred acquisition costs	(21.3)	(20.4)
Lease liability	(12.2)	(11.7)
TCJA reserve transitional liability	(2.1)	(2.7)
Other	(1.6)	(0.7)
Deferred tax liabilities, gross	(81.3)	(98.7)
Deferred tax assets, net before valuation allowance	$ 101.5	$ 45.3
Valuation allowance	(27.9)	(28.6)
Deferred tax asset (liabilities), net	$ 73.6	$ 16.7
Net deferred tax assets (liabilities) - Other jurisdictions	$ 35.0	$ 21.4
Net deferred tax assets (liabilities) - United States	38.6	(4.7)
Deferred tax asset (liabilities), net	$ 73.6	$ 16.7

Our gross deferred tax assets are supported by taxes paid in previous periods, reversal of taxable temporary differences and recognition of future taxable income. Management regularly evaluates the recoverability of the deferred tax assets and makes any necessary adjustments to them based upon any changes in management's expectations of future taxable income. Realization of deferred tax assets is dependent upon our generation of future taxable income sufficient to recover tax benefits that cannot be recovered from taxes paid in the carryback period, generally for our U.S. property and casualty insurers two years for net operating losses and for all our U.S. subsidiaries three years for capital losses. If a company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. The valuation allowance for deferred tax assets decreased by $(0.7) million in 2021 and primarily related to the following: Internal Revenue Code Section 382 limited net operating loss carryforwards within the U.S., cumulative losses incurred since inception, and valuation allowances acquired through or related to acquisitions. Based upon a review of our available evidence our management concluded that it is more-likely-than-not that the deferred tax assets will be realized.

For tax return purposes, as of December 31, 2021, we had NOL carryforwards in Brazil, Italy, Malta, United Kingdom, and the United States. The amount and timing of realizing the benefits of NOL carryforwards depend on future taxable income and limitations imposed by tax laws. Only a portion of the United States NOL carryforwards has been recognized as mentioned above in the consolidated financial statements and is included in net deferred tax assets. The NOL amounts by jurisdiction and year of expiration are as follows:

(in millions)	December 31, 2021	Expiration
Net operating loss carryforwards by jurisdiction:		
Brazil	6.6	Indefinite
Italy	48.4	Indefinite
Malta	13.7	Indefinite
United Kingdom	17.2	Indefinite
United States	40.6	2025 - 2037

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. Included in the balances at December 31, 2021 and 2020 were $3.6 million and $8.2 million, respectively, of unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. The Company believes it is reasonably possible that $0.6 million of the total amount of uncertain tax benefits will decrease within the next 12 months as a result of a lapse of the statute of limitations or settlement with taxing authorities. A net increase (decrease) of interest in the amount of $(1.0) million, $0.5 million, and $0.5 million has been recorded in the line item "Interest Expense" in our Consolidated Statements of Income (Loss) for the twelve months ended December 31, 2021, 2020, and 2019, respectively. A net increase (decrease) of penalty in the amount of $(0.8) million, $0.1 million, and $0.2 million has been recorded in the line item "Underwriting, acquisition and insurance expenses" in our Consolidated Statements of Income (Loss) for the twelve months ended December 31, 2021, 2020, and 2019, respectively.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2021 and 2020:

(in millions)	2021	2020
Balance at January 1	$ 8.2	$ 7.5
Additions for tax positions of prior years	$ —	—
Reductions for tax positions of prior years	(0.3)	—
Additions based on tax positions related to current year	$ —	0.7
Reductions based on tax positions related to current year	—	—
Reductions based on settlements with taxing authorities	(2.8)	—
Expiration of statute of limitations	(1.5)	—
Balance at December 31	$ 3.6	$ 8.2

Our U.S. subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018. Our U.K. subsidiaries are no longer subject to U.K. income tax examinations by Her Majesty's Revenue and Customs for years before 2019.

As of December 31, 2021, our Texas Sales, Excise, and Use Tax returns for the periods January 1, 2017 through March 31, 2020 are under examination. At this time, the Company cannot reasonably estimate an assessment by the taxing authority. We do not expect the ultimate disposition of these audits to result in a material change in our financial position, results of operations, or liquidity.

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

17. Pension Benefits and Savings Plans

Argo Group U.S. sponsors a qualified defined benefit plan and non-qualified unfunded supplemental defined benefit plans, all of which were curtailed effective February 2004. As of December 31, 2021 and 2020, the qualified pension plan was underfunded by $2.6 million and $4.2 million, respectively. The non-qualified pension plans were unfunded by $1.8 million and $2.0 million at December 31, 2021 and 2020, respectively. Underfunded and unfunded amounts are included in “accrued underwriting expenses and other liabilities” in our consolidated balance sheets. Based on the current funding status of the pension plan, effects of the curtailment and expected changes in pension plan asset values and pension obligations, we do not believe any significant funding of the pension plan will be required during the year ending December 31, 2021. Net periodic benefit costs were $0.1 million for the years ended December 31, 2021 and 2020, and $0.3 million for the year ended December 31, 2019, respectively.

Substantially all of our employees are either eligible or mandated by applicable laws to participate in employee savings plans. Under these plans, a percentage of an employee’s pay may be or is mandated based on applicable laws to be contributed to various savings alternatives. The plans also call for our contributions under several formulae. Charges to income related to our contributions were $9.3 million, $9.2 million and $8.9 million in 2021, 2020 and 2019, respectively.

18. 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 $64.2 million related to our limited partnership investments at December 31, 2021. These commitments will be funded as required by the partnership agreements which can be called to be fulfilled at any time, not to exceed twelve years.

19. 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 the sales of 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:

(in millions)	For the Years Ended December 31, 2021	2020	2019
Revenue:			
Earned premiums			
U.S. Operations	$ 1,283.7	$ 1,207.6	$ 1,119.9
International Operations	625.8	572.5	609.6
Run-off Lines	0.6	0.4	0.2
Total earned premiums	1,910.1	1,780.5	1,729.7
Net investment income			
U.S. Operations	119.4	80.3	100.0
International Operations	50.6	26.7	44.2
Run-off Lines	3.6	4.0	5.7
Corporate and Other	14.0	1.7	1.2
Total net investment income	187.6	112.7	151.1
Net realized investment gains (losses)	32.6	(3.6)	80.1
Total revenue	$ 2,130.3	$ 1,889.6	$ 1,960.9

(in millions)	For the Years Ended December 31, 2021	2020	2019
Income (loss) before income taxes			
U.S. Operations	$ 61.1	$ 113.1	$ 139.3
International Operations	64.1	(75.3)	(121.4)
Run-off Lines	(41.5)	(9.6)	(9.8)
Total segment income before taxes	83.7	28.2	8.1
Corporate and Other	(22.5)	(34.5)	(44.8)
Net realized investment and other gains (losses)	32.6	(3.6)	80.1
Foreign currency exchange losses	(1.6)	(15.4)	9.8
Impairment of intangibles	(43.2)	—	(15.6)
Non-operating expense	(43.7)	(21.1)	(37.6)
Total income (loss) before income taxes	$ 5.3	$ (46.4)	$ —

The table below presents earned premiums by geographic location for the years ended December 31, 2021, 2020 and 2019. 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 Years Ended December 31, 2021	2020	2019
United States	$ 1,277.0	$ 1,205.0	$ 1,115.8
United Kingdom	475.3	361.1	391.5
Bermuda	54.8	96.5	80.7
Malta	35.4	59.5	85.0
All other jurisdictions	67.6	58.4	56.7
Total earned premiums	$ 1,910.1	$ 1,780.5	$ 1,729.7

The following table represents identifiable assets:

(in millions)	December 31, 2021	December 31, 2020
U.S. Operations	$ 5,800.1	$ 5,915.5
International Operations	3,932.3	3,911.9
Run-off Lines	314.7	337.3
Corporate and Other	270.7	301.1
Total	$ 10,317.8	$ 10,465.8

Included in total assets at December 31, 2021 and 2020 are $554.2 million and $825.9 million, respectively, in assets associated with trade capital providers.

The following table represents goodwill and intangible assets, net of accumulated amortization, as of December 31, 2021 and 2020:

	Goodwill		Intangible Assets, Net of Accumulated Amortization	
(in millions)	2021	2020	2021	2020
U.S. Operations	$ 118.6	$ 118.6	$ —	$ —
International Operations	28.7	28.7	17.3	60.5
Total	$ 147.3	$ 147.3	$ 17.3	$ 60.5

During the year ended December 31, 2021, we recorded a $43.2 million impairment charge on the intangibles related to Syndicate 1200. Management's fourth quarter of 2021 analysis of Syndicate 1200, reflected an implied fair value which was below the reporting unit's carrying value. As such, the intangibles impairment charge was recorded during the fourth quarter of 2021.

20. Statutory Accounting Principles

Financial Information

The statutory capital and surplus for our principal operating subsidiaries was as follows:

Statutory capital and surplus [1]	December 31,	
(in millions)	2021	2020
Bermuda	$ 1,425.8	$ 1,483.4
United Kingdom [2]	414.8	534.7
United States	1,177.2	1,072.1

[1] Such amounts include ownership interests in affiliate insurance and reinsurance subsidiaries.
[2] Capital on deposit with Lloyd's in U.S. dollars

The statutory net income (loss) for our principal operating subsidiaries was as follows:

Statutory net income (loss) [1]	For the Years Ended December 31,		
(in millions)	2021	2020	2019
Bermuda	$ 14.2	$ (18.0)	$ 7.1
United Kingdom [2]	8.6	(53.0)	(15.1)
United States	103.5	76.4	196.1

[1] Such amounts include ownership interests in affiliate insurance and reinsurance subsidiaries.
[2] In U.S. dollars

Dividends

As an insurance holding company, we are largely dependent on dividends and other permitted payments from our insurance subsidiaries to pay cash dividends to our shareholders, for debt service and for our operating expenses. The ability of our insurance subsidiaries to pay dividends to us is subject to certain restrictions imposed by the jurisdictions of domicile that regulate our insurance subsidiaries and each jurisdiction has calculations for the amount of dividends that an insurance and company can pay without the approval of the insurance regulator.

The payment of dividends to our shareholders is governed by the Bermuda Companies Act of 1981, as amended, which permits the payment of dividends so long as (i) we are not, or would not be after the payment, unable to pay our liabilities as they become due and (ii) the realizable value of our assets is in excess of our liabilities after taking such payment into account. In light of these restrictions, we have no material restrictions on dividend payments that may be made to our shareholders at December 31, 2021.

Argo Re is the direct subsidiary of Argo Group, and therefore, has direct dividend paying capabilities to the parent.

As of December 31, 2021, Argo Re's solvency and liquidity margins and statutory capital and surplus were in excess of the minimum levels required by the Insurance Act. As of December 31, 2021 and 2020, the minimum statutory capital and surplus required to be maintained by Argo Re was $126.8 million and $201.3 million, respectively.

Argo Re is generally prohibited from declaring or paying, in any financial year, dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the Bermuda Monetary Authority ("BMA") an affidavit signed by at least two directors (one of whom must be a Bermuda resident director if any of the insurer's directors are resident in Bermuda) and the principal representative stating that it will continue to meet its solvency margin and minimum liquidity ratio. Argo Re may not reduce its total statutory capital by 15% or more, as set out in its previous year's financial statements, unless it has received the prior approval of the BMA. Based on these regulatory restrictions, the maximum amount available for payment of dividends to Argo Group by Argo Re during 2021 without prior regulatory approval is $356.4 million.

In 2021, 2020, and 2019 Argo Re paid cash dividends of $85.0 million, $58.8 million, and $52.1 million respectively, to Argo Group. The proceeds of the dividends were used to repay intercompany balances related primarily to the funding of dividend and interest payments and other corporate expenses.

Our U.S. insurance subsidiaries file financial statements prepared in accordance with statutory accounting principles prescribed or permitted by insurance regulatory authorities of the state in which they are underwriting business. The differences between statutory-based financial statements and financial statements prepared in accordance with GAAP vary between jurisdictions. The principal differences are that for statutory-based financial statements, deferred policy acquisition costs are not recognized, a portion of the deferred federal income tax asset is non-admitted, bonds are generally carried at amortized cost, certain assets are non-admitted and charged directly to surplus, a collectability allowance related to reinsurance recoverables is charged directly to surplus and outstanding losses and unearned premium are presented net of reinsurance.

As an intermediate insurance holding company, Argo Group U.S., Inc. is largely dependent on dividends and other permitted payments from its insurance subsidiaries to service its debt, fund operating expenses and pay dividends to Argo Ireland. Various state insurance laws restrict the amount that may be transferred to Argo Group U.S. from its subsidiaries in the form of dividends without prior approval of regulatory authorities. In addition, that portion of the insurance subsidiaries' net equity that results from the difference between statutory insurance principles and GAAP would not be available for dividends.

During 2021, Argo Group U.S., Inc. did not receive dividends from its subsidiaries.

Argonaut Insurance Company is a direct subsidiary of Argo Group U.S., Inc. and is regulated by the Illinois Division of Insurance. During 2021, Argonaut Insurance Company may be permitted to pay dividends of up to $107.1 million without approval from the Illinois Division of Insurance. Rockwood, a direct subsidiary of Argo Group U.S., Inc., is regulated by the Pennsylvania Department of Insurance. Rockwood may be permitted to pay dividends of up to $10.6 million without approval from the Pennsylvania Department of Insurance during 2022. Each department of insurance may require prior approval for the payment of all dividends, based on business and regulatory conditions of the insurance companies.

Argo Underwriting Agency Ltd. ("AUA") is our wholly-owned subsidiary through which we conduct the operation of Syndicate 1200. Dividend payments from AUA to the immediate parent are not restricted by regulatory authority. Dividend payments will be subject to the earnings, operations, financial condition, capital and general business requirements of AUA.

Certain assets of our subsidiaries are pledged to regulatory agencies, serve as collateral for letters of credit or are assigned as the assets of the trade capital providers of our Lloyd's syndicate, and therefore, are not available funds that may be paid up as dividends to Argo Group. See Note 3, "Investments" and Note 19, "Segment Information" for further discussion.

21. Insurance Assessments

We participate in statutorily created insolvency guarantee and weather-related loss protection associations in all states where we are authorized to transact business. These associations were formed for the purpose of paying the claims of insolvent companies. We are assessed a pro-rata share of such claims based upon our premium writings, subject to a maximum annual assessment per line of insurance. Certain of these assessments can be recovered through premium tax offsets or policy surcharges. We do not believe that assessments on current insolvencies will have a material impact on our financial condition or results of operations. We have accrued assessments of $5.8 million and $6.7 million at December 31, 2021 and 2020, respectively.

22. Transactions with Related Parties

There were no material transactions with related parties during the twelve months ended December 31, 2021.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(in millions)

BALANCE SHEETS	**December 31, 2021**	**December 31, 2020**
Assets		
Short-term investments	$ 14.5	$ 0.6
Investment in subsidiaries	1,740.8	1,881.9
Cash	2.0	3.0
Operating lease right-of-use assets	5.3	6.2
Other assets	5.2	14.5
Total assets	$ 1,767.8	$ 1,906.2
Liabilities and Shareholders' Equity		
Junior subordinated debentures	$ 28.4	$ 28.4
Accrued underwriting expenses and other liabilities	3.6	6.3
Operating lease liabilities	5.3	6.2
Due to subsidiaries	(4.7)	7.5
Total liabilities	32.6	48.4
Shareholders' equity	1,735.2	1,857.8
Total liabilities and shareholders' equity	$ 1,767.8	$ 1,906.2

STATEMENTS OF INCOME (LOSS)	**For the Years Ended December 31, 2021**	**2020**	**2019**
Revenue:			
Net investment expense	$ —	$ —	$ (2.9)
Net realized investment (loss) gains	—	(8.3)	(0.1)
Total revenue	—	(8.3)	(3.0)
Expenses:			
Interest expense	1.2	3.6	6.6
Operating expenses	6.2	20.4	1.3
Other corporate expenses	0.2	4.4	26.8
Total expenses	7.6	28.4	34.7
Net income before equity in earnings of subsidiaries [1]	(7.6)	(36.7)	(37.7)
Equity in undistributed earnings of subsidiaries	14.3	(17.4)	23.6
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Dividends on preferred shares	10.5	4.6	—
Net (loss) income attributable to common shareholders	$ (3.8)	$ (58.7)	$ (14.1)

[1] Argo Group is not subject to taxation.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(in millions)

STATEMENTS OF CASH FLOWS	**For the Years Ended December 31,**		
	2021	**2020**	**2019**
Cash flows from operating activities:			
Net income (loss)	$ 6.7	$ (54.1)	$ (14.1)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization and depreciation	1.5	1.1	1.3
Share-based payments expense	2.3	3.6	8.1
Net realized investment and other losses (gains)	—	8.3	0.1
Loss on disposal of fixed assets	(3.0)	0.1	—
Undistributed (losses) earnings of subsidiaries	(14.3)	17.4	(23.6)
Change in:			
Prepaid assets	7.2	(2.2)	2.5
Accrued underwriting expenses	(4.1)	(9.1)	7.3
Due (to) from subsidiaries	(12.1)	(11.1)	16.8
Other, net	(3.9)	(7.8)	(12.1)
Cash used in operating activities	(19.7)	(53.8)	(13.7)
Cash flows from investing activities:			
Change in short-term investments	(13.9)	—	3.2
Settlements of foreign currency exchange forward contracts	0.5	0.1	(0.2)
Capital contribution to subsidiaries	—	(145.3)	—
Proceed from sale of Ariel Re	—	30.0	—
Dividend received from subsidiaries	85.0	71.9	52.1
Cash provided by (used in) investing activities	71.6	(43.3)	55.1
Cash flows from financing activities:			
Issuance for preferred shares, net of issuance costs	—	144.0	—
Activity under stock incentive plans	1.3	1.8	1.9
Payment of cash dividend to preferred shareholders	(10.5)	(4.6)	—
Payment of cash dividend to common shareholders	(43.7)	(43.0)	(43.1)
Cash (used in) provided by financing activities	(52.9)	98.2	(41.2)
Change in cash	(1.0)	1.1	0.2
Cash, beginning of year	3.0	1.9	1.7
Cash, end of year	$ 2.0	$ 3.0	$ 1.9

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE III
SUPPLEMENTAL INSURANCE INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(in millions)

Segment	DAC (a)	Reserves for Losses and Loss Adjustment Expenses (b)	UPR (c)	Premium Revenue (d)	Net Investment Income (l)	Loss & LAE (e)	Amortization (Deferral) DAC (f) (2)	Other Operating Expenses (3)	Net Premiums Written (g)
Year Ended December 31, 2021									
U.S. Operations	103.7	3,422.4	973.7	1,283.7	119.4	908.2	(5.8)	425.1	1,304.8
International Operations	64.3	1,911.4	493.1	625.8	50.6	362.1	(10.0)	256.3	671.7
Run-off Lines	—	261.2	—	0.6	3.6	44.3	—	1.0	0.8
Corporate and Other	—	—	—	—	14.0	—	—	35.7	—
Total	$ 168.0	$ 5,595.0	$1,466.8	$ 1,910.1	$ 187.6	$1,314.6	$ (15.8)	$ 718.1	$ 1,977.3
Year Ended December 31, 2020									
U.S. Operations	98.2	3,091.9	939.2	1,207.6	80.3	768.7	(8.6)	398.3	1,223.0
International Operations	65.4	2,077.6	525.4	572.5	26.7	428.6	(0.7)	242.3	586.6
Run-off Lines	—	236.5	0.2	0.4	4.0	11.5	—	1.7	0.5
Corporate and Other	—	—	—	—	1.7	—	—	34.7	—
Total	$ 163.6	$ 5,406.0	$1,464.8	$ 1,780.5	$ 112.7	$1,208.8	$ (9.3)	$ 677.0	$ 1,810.1
Year Ended December 31, 2019									
U.S. Operations	89.7	2,775.1	896.1	1,119.9	100.0	690.4	(2.5)	371.2	1,166.3
International Operations	70.5	2,129.0	514.7	609.6	44.2	518.3	14.9	235.3	588.1
Run-off Lines	—	253.5	0.1	0.2	5.7	12.0	—	2.4	0.2
Corporate and Other	—	—	—	—	1.2	—	—	44.7	—
Total	$ 160.2	$ 5,157.6	$1,410.9	$ 1,729.7	$ 151.1	$1,220.7	$ 12.4	$ 653.6	$ 1,754.6

(a) Deferred policy acquisition costs.

(b) Future policy benefits, losses, claims and loss expenses.

(c) Unearned premiums.

(d) Premium revenue, net (premiums earned).

(e) Benefits, claims, losses and settlement expenses.

(f) Amortization (deferral) of deferred policy acquisition costs.

(g) Premiums written, net.

(1) Net investment income allocated based upon each segment’s share of investable funds.

(2) The amortization (deferral) of DAC will not equal the change in the balance sheet. See Note 1, “Business and Significant Accounting Policies” for further discussion.

(3) Other insurance expenses allocated based on specific identification, where possible, and related activities.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE V
VALUATION AND QUALIFYING ACCOUNTS
(in millions)

	Balance at Beginning of Year	Charged to Cost and Expense	Capital Loss Carryforward	Net Operating Loss Carryforward	Charged to Other Accounts	Deductions	Balance at End of Year
Year Ended December 31, 2021							
Deducted from assets:							
Valuation allowance for deferred tax asset	$ 28.6	$ (0.7)	$ —	$ —	$ —	$ —	$ 27.9
Year Ended December 31, 2020							
Deducted from assets:							
Valuation allowance for deferred tax asset	$ 28.1	$ 0.5	$ —	$ —	$ —	$ —	$ 28.6
Year Ended December 31, 2019							
Deducted from assets:							
Valuation allowance for deferred tax asset	$ 29.9	$ (1.8)	$ —	$ —	$ —	$ —	$ 28.1

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE VI
SUPPLEMENTAL INFORMATION FOR PROPERTY-CASUALTY INSURANCE COMPANIES
(in millions)

	For the Years Ended December 31,		
	2021	2020	2019
Deferred acquisition costs	$ 168.0	$ 163.6	$ 160.2
Reserves for losses and loss adjustment expenses	$ 5,595.0	$ 5,406.0	$ 5,157.6
Unamortized discount in reserves for losses	$ 18.8	$ 17.8	$ 17.9
Unearned premiums	$ 1,466.8	$ 1,464.8	$ 1,410.9
Premiums earned	$ 1,910.1	$ 1,780.5	$ 1,729.5
Net investment income	$ 187.6	$ 112.7	$ 151.1
Losses and loss adjustment expenses incurred:			
Current year	$ 1,176.3	$ 1,201.1	$ 1,082.6
Prior years	138.3	7.7	138.1
Losses and loss adjustment expenses incurred	$ 1,314.6	$ 1,208.8	$ 1,220.7
(Deferral) amortization of policy acquisition costs [1]	$ (15.8)	$ (9.3)	$ 12.4
Paid losses and loss adjustment expenses, net of reinsurance	$ 869.2	$ 1,119.8	$ 1,030.3
Gross premiums written	$ 3,181.2	$ 3,233.3	$ 3,130.2

[1] The amortization (deferral) of policy acquisition costs will not equal the change in the balance sheet. For further discussion, see Note 1, “Business and Significant Accounting Policies.”

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

FORM 10-K/A

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______
Commission file number: 1-15259

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

(Exact name of Registrant as specified in its charter)

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

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

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

Title of Security	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value of $1.00 per share	ARGO	New York Stock Exchange
6.500% Senior Notes due 2042 issued by Argo Group U.S., Inc. and the Guarantee with respects thereto	ARGD	New York Stock Exchange
Depositary Shares, Each Representing a 1/1000th Interest in a 7.00% Resettable Fixed Rate Preference Share, Series A, Par Value $1.00 Per Share	ARGOPrA	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, or a smaller reporting 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.

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

If an emerging growth company, indicate by check mark if 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2021, the aggregate market value of the common stock held by non-affiliates was approximately $1,796.5 million.

As of April 27, 2022, the Registrant had 34,958,238 shares of common stock outstanding (less treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

None.

Auditor Name: Ernst & Young LLP Auditor Location: San Antonio, Texas Auditor Firm ID: 42

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends the Annual Report on Form 10-K of Argo Group International Holdings, Ltd. (the "Company") for the year ended December 31, 2021 that was originally filed with the Securities and Exchange Commission ("SEC") on March 16, 2022 (the "Original Filing"). This Amendment is being filed primarily for the purpose of including the information required by Items 10 through 14 of Part III of Form 10-K.

This information was previously omitted from the Original Filing in reliance on SEC general instructions to Form 10-K, which permits the information in the above referenced items to be incorporated in a Form 10-K by reference from a definitive proxy statement if such statement is filed no later than 120 days after a company's fiscal year end. We are filing this Amendment to include Part III information in the Original Filing because our definitive proxy statement containing this information will not be filed before that date. As such, this Amendment hereby amends and restates in their entirety Items 10 through 14 of Part III of the Original Filing as well as the Form 10-K cover page (solely to update the number of Common Shares outstanding to April 27, 2022 and to remove the statement that information is being incorporated by reference from our definitive proxy statement).

In accordance with the rules and regulations promulgated by the SEC, Item 15 of Part IV has been supplemented to include currently dated certifications pursuant to Sections 302 and 906 of the Sarbanes Oxley Act of 2002.

On April 28, 2022, we announced that our Board of Directors initiated an exploration of strategic alternatives. As part of this process, the Board of Directors will consider a wide range of options for the Company including, among other things, a potential sale, merger or other strategic transaction. Accordingly, we have included in this Amendment certain risk factors relating to this process and updated our forward-looking statement. See "Cautionary Statement Regarding Forward-Looking Statement" and "Item 1A. Risk Factors."

We have also included the following subsequent events occurring after the Original Filing in this Amendment: amendment of our Executive Severance Plan, grant of retention awards pursuant to a Retention Letter Agreement with each of Mr. Kirk and Mses. Kiene and Comparato, and approval of Thomas A. Bradley monthly salary of $100,000 for his services as the Company's Interim Executive Officer. See "Item 9B. Other Information."

We have made no substantive changes to the Original Filing other than those noted above. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Original Filing.

Furthermore, this Amendment does not change any previously reported financial results, nor does it reflect events occurring after the filing date of the Original Filing unless noted otherwise in this Amendment. Information not affected by this Amendment remains unchanged and reflects the disclosures made at the time the Original Filing was filed. This Amendment should be read in conjunction with the Original Filing and the Company's other filings with the SEC.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
Annual Report on Form 10-K/A
For the Year Ended December 31, 2021

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K/A for the year ended December 31, 2021 (this "Form 10-K") are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Our forward-looking statements include, but are not limited to, statements regarding our or our management's projections, forecasts, expectations, beliefs, intentions or strategies, and include all statements that do not relate solely to historical or current facts. Forward-looking statements may be identified by the use of words such as "expect," "intend," "plan," "believe," "do not believe," "aim," "project," "anticipate," "seek," "will," "likely," "assume," "estimate," "may," "continue," "guidance," "objective," "remain optimistic," "path toward," "outlook," "trends," "future," "could," "would," "should," "target," "on track" and similar expressions of a future or forward-looking nature.

There can be no assurance that actual developments will be those anticipated by Argo Group International Holdings, Ltd. Throughout this Form 10-K, unless the context otherwise requires, references to "Argo Group," "we," "us," "our" or the "Company" mean Argo Group International Holdings, Ltd. and all of its subsidiaries, taken together as a whole. Actual results may differ materially as a result of significant risks and uncertainties including but not limited to:

Insurance Underwriting Risks:

- the adequacy of our projected loss reserves, which may be affected by both internal and external events, including:
    - the judgement used in selecting actuarial assumptions and weighing the indications of the various actuarial methods in developing our ultimate loss selection;
    - the development of claims that varies from that which was expected when loss reserves were established;
    - adverse legal rulings which may impact the liability under insurance contracts beyond that which was anticipated when the reserves were established;
    - development of new theories related to coverage which may increase liabilities under insurance contracts beyond that which were anticipated when the loss reserves were established;
    - reinsurance coverage being other than what was anticipated when the loss reserves were established;
    - changes in claims handling procedures;
    - economic and social inflation;
- our ability to compete effectively;
- actions by our competitors, many of which have a larger capital base and are more highly rated than we are;
- unexpected changes in the claims environment or catastrophes and terrorist acts;
- the ongoing impact of the COVID-19 pandemic (including variant strains);
- the impact of global climate change and related regulation, including physical risks and transition risks;
- our dependence on insurance and reinsurance agents and brokers as distribution channels;
- changes in the pricing environment and the cyclical nature of our business, with periods with excess underwriting capacity and unfavorable premium rates and other periods with a shortage of underwriting capacity when premium rates are strong;
- our agents and producers exceeding their underwriting authorities or breaching obligations owed to us;

Operational Risks:

- potential uncertainty regarding the outcome of our exploration of strategic alternatives;
- our ability to attract and retain qualified employees and key executives;
- loss of our executive officers or other key personnel or other changes to our management team;
- the adequacy of our strategies and processes to mitigate insurance risk;
- the effectiveness of our internal controls;
- our dependence on our information technology network and the impact of any cybersecurity breach;
- our ability to adequately protect customer personal information;
- our ability to effectively select, develop, implement and monitor our outsourcing relationships;
- failure to execute on expense targets;

Financial Risks:

- the impact of any prolonged recession or a period of significant turmoil in the U.S. and international financial markets;
- changes in economic and political conditions, including inflation and changes in interest rates;
- market and credit risks that may impact our investment portfolio;
- foreign currency fluctuations;
- the availability, cost or quality of reinsurance;
- any impairment in the carrying value of goodwill and other intangible assets;
- any impairment or allowances of our investments;
- any failure of one or more reinsurers or capital market counterparties to meet their payment obligations to us or our inability to collect reinsurance recoverables;
- uncertainty resulting from the discontinued use of the London Interbank Offering Rate;

Strategic Risks:

- uncertain conditions in the global economy;
- our existing indebtedness and ability to access additional capital;
- our holding company structure and certain regulatory and other constraints that affect our ability to pay dividends and make other payments;
- any ratings downgrades;
- the success of our business plan and our ability to successfully execute strategic transactions;
- uncertainty resulting from the United Kingdom's exit from the European Union;

Reputational Risks:

- any violations of laws and regulations relating to sanctions, anti-corruption and money laundering;
- actions of activist shareholders;
- any failure to meet stakeholder expectations regarding environmental, social and corporate governance matters;

Legal, Regulatory and Litigation Risks:

- the ability of our insurance subsidiaries to meet risk-based capital and solvency requirements in their respective regulatory domiciles;
- the outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation;
- regulatory constraints on our ability to operate our business, including on our ability to charge adequate rates and efficiently allocate capital;
- changes in legal environment, and changes in insurance regulations in the U.S. or other jurisdictions in which we operate;
- restrictions on the sale or change of control of the Company;
- difficulties associated with enforcing judgments against us or our directors and officers as a Bermuda company;

Taxation Risks:

- potential exposure to U.S. federal income and withholding taxes for our non-U.S. subsidiaries;
- any re-characterization or other adjustment for U.S. federal income tax purposes of agreements between our U.S. and non-U.S. subsidiaries;
- potential increased tax liabilities under the Base Erosion and Anti-Abuse Tax;
- changes in U.S. tax law;
- adverse U.S. federal income tax consequences to shareholders due to undistributed earnings and profits;
- consequences of a potential classification as a passive foreign investment company;
- adverse U.S. federal income tax consequences to our shareholders if we recognize related person insurance income;
- adverse U.S. federal income taxation that may impact U.S. persons and U.S. tax-exempt organizations who own our equity securities;
- any ineligibility for benefits under the U.S.-U.K. income tax treaty applicable to our Lloyd's Companies;
- any ineligibility for benefits under the U.S.-Ireland income tax treaty applicable to dividends paid by our U.S. subsidiaries to Argo Ireland;
- any transfer pricing adjustment in computing U.K. or U.S. taxable profits;
- adverse consequences due to changes made by the Organisation for Economic Co-operation and Development; and
- adverse taxation in the U.K. and Bermuda.

The foregoing summary of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Form 10-K, including the risk factors set forth in Item 1A, "Risk Factors." We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I

Item 1A. Risk Factors

Summary of Risk Factors

There have been no material changes in our factors from those disclosed in the Original Filing, except as follows:

- **Operational Risks.** Operational risks include risks related to exploring strategic alternatives, employee retention and changes in key personnel, strategies and processes to mitigate insurance risks, ineffective internal controls, information technology, failure to protect confidential information and outsourcing relationships.

Operational Risks

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people, systems or the operational impact of external events. This risk encompasses all exposures faced by functions and services rendered in the course of conducting business including, but not limited to, underwriting, accounting and financial reporting, business continuity, claims management, information technology and data processing, legal and regulatory compliance, outsourcing and reinsurance purchasing.

There can be no assurance that our exploration of strategic alternatives will result in the Company pursuing a particular transaction or other strategic outcome.

On April 28, 2022, we announced that our Board initiated an exploration of strategic alternatives. As part of this process, the Board will consider a wide range of options for the Company including, among other things, a potential sale, merger or other strategic transaction. The Company has retained a financial advisor in connection with the review process. We are in the early stages of the review process and our current intention is not to disclose or comment on interim developments with respect to the review process. There can be no assurance that this process will result in the Company pursuing a particular transaction or other strategic outcome.

We may be unable to attract and retain qualified employees and key executives, including as a result of our public announcement of our exploration of strategic alternatives.

We depend on our ability to attract and retain experienced underwriting talent, skilled employees and seasoned key executives who are knowledgeable about our business. The pool of highly skilled employees available to fill our key positions may fluctuate based on market dynamics specific to our industry and overall economic conditions. As such, higher demand for internal leaders and employees having desired talents could lead to increased compensation expectations for existing and prospective personnel, making it difficult for us to recruit and retain key employees and/or maintain labor costs at desired operating levels. If we are unable to attract and retain such talented team members and leaders, we may be unable to maintain our current competitive position in the specialized markets in which we operate and be unable to expand our operations into new markets, which could adversely affect our results.

On April 28, 2022, we announced that our Board initiated an exploration of strategic alternatives. Given that the exploration of strategic alternatives may eventually result in a potential sale, merger or other strategic transaction, any perceived uncertainty regarding our future operations or employment needs may limit our ability to retain or hire qualified personnel and may contribute to the unplanned loss of highly skilled employees through attrition.

Argo Group and its subsidiaries, Argo Re and Argo Insurance Services Bermuda, Ltd., acting on behalf of Syndicate 1200, have operations that require highly skilled personnel to work in Bermuda. The ability to fill certain highly skilled key positions in Bermuda is constrained by Bermuda law, which provides that non-Bermudians are not permitted to engage in any occupation in Bermuda without an approved work permit from the Bermuda Department of Immigration. If the Bermuda Department of Immigration changes its current policies with respect to work permits, and as a result these key employees are unable to work in Bermuda, our operations could be disrupted and our financial performance could be adversely affected.

In addition, offices in foreign jurisdictions, such as Bermuda, U.K. and Dubai, may have residency and other mandatory requirements that affect the composition of its local boards of directors, executive teams and choice of third-party service providers. Due to the competition for available talent in such jurisdictions, we may not be able to attract and retain personnel as required by our business plans, which could disrupt operations and adversely affect our financial performance.

Loss of our executive officers or other key personnel or other changes to our management team, including as a result of our public announcement of our exploration of strategic alternatives, could disrupt our operations or harm our business.

We depend on the efforts of our executive officers and certain key personnel. Any unplanned turnover or our failure to develop an adequate succession plan or business continuity plan for one or more of our executive officers or other key positions could deplete our institutional knowledge base and erode our competitive advantage. The loss or limited availability of the services of one or more of our executive officers or other key personnel, or our inability to recruit and retain qualified executive officers or other key personnel in the future, could, at least temporarily, have a material adverse effect on our operating results and financial condition. Leadership transitions can be inherently difficult to manage, and an inadequate transition may cause disruption to our business, including to our relationships with our customers and employees.

On April 28, 2022, we announced that our Board initiated an exploration of strategic alternatives. The process of exploring strategic alternatives may require significant resources and expenses and may divert the attention of our executive officers and key personnel away from our business. Accordingly, our business, financial condition and results of operations could be adversely affected.

PART II

Item 9B. Other Information

Executive Severance Plan

On April 26, 2022, the Board approved the Company's Executive Severance Plan, as amended and restated effective April 26, 2022 (the "Amended Plan"). Subject to the execution of a participation agreement to the Amended Plan, the Company's Chief Financial Officer (Mr. Scott Kirk), the Company's General Counsel and Secretary (Ms. Allison D. Kiene), and the Company's Chief Administrative Officer (Ms. Susan B. Comparato) will be "Tier I Participants" of the Amended Plan. Under the Amended Plan, upon a participant's termination of employment without cause (as defined in the Amended Plan) or a participant's resignation for good reason (as defined in the Amended Plan), in each case, within 24 months following a change in control (as defined in the Amended Plan), subject to the execution of a release of claims, the participant will be entitled to the following severance payments and benefits:

a. for Tier I Participants, 1.50 times the sum of (i) the annual base salary and (ii) the target annual bonus;

b. for Tier II Participants, 1.00 times the sum of (i) the annual base salary and (ii) the target annual bonus;

c. an amount equal to target annual bonus, pro-rated through the date of employment termination; and

d. for U.S. participants only, COBRA health care continuation coverage for 18 months for Tier I Participants and 12 months for Tier II Participants.

The Amended Plan also provides for: (i) the reimbursement of a participant's legal fees in the event of a dispute arising under the Amended Plan on or following a change in control; and (ii) for Tier I Participants, extending the applicable restrictive covenants to 18 months following an employment termination. The terms of the Amended Plan, except as described above, are substantially the same as the terms of the Executive Severance Plan effective as of January 1, 2021 (the "ESP").

The foregoing description of the Amended Plan is subject to and qualified in its entirety by the terms and conditions of the Amended Plan.

Retention Agreements

On April 26, 2022, the Board approved the grant of retention awards pursuant to terms of a Retention Letter Agreement (each a "Retention Agreement" and together, the "Retention Agreements") to Mr. Kirk and Mses. Kiene and Comparato.

The Retention Agreements provide for a cash retention bonus in an amount equal to two (2) times the executive's annual base salary (in the case of Mr. Kirk ($1,282,592) and Ms. Kiene ($1,200,000)) and one (1) times the executive's current annual base salary (in the case of Ms. Comparato ($500,000). The cash retention bonus will vest in 25% increments on June 15, 2022, September 15, 2022, December 15, 2022 and March 15, 2023, subject to the executive's continued employment with the Company through each vesting date. However, upon a termination of employment without cause (as defined in the Amended Plan) or the executive's resignation for good reason (as defined in the Amended Plan), the cash retention bonus will vest in full, subject to the executive's execution of a release of claims.

The foregoing description of the Retention Agreements is subject to and qualified in its entirety by the terms and conditions of the Retention Agreements.

Interim Chief Executive Officer Salary

On April 26, 2022, the Board approved a monthly salary for Thomas A. Bradley of $100,000, effective as of March 3, 2022 and payable in accordance with the Company's normal payroll practices, for his services as the Company's Interim Chief Executive Officer.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Board Leadership Structure

The Board has chosen to separate the position of Chief Executive Officer from the position of Board Chairman. The Company believes that this separation of positions is an appropriate structure that provides both support and balance for management and overall risk oversight for the Company because it creates a lead director that is independent from management. Separating these positions allows our Chief Executive Officer to focus on developing and implementing the Company's business plans and supervising the Company's day-to-day business operations, and allows our Board Chairman to lead the Board in its oversight, advisory, and risk management roles.

Although the Board's leadership structure includes a separate Chief Executive Officer and Board Chairman, these roles were combined in March 2022 when our Chief Executive Officer, Kevin J. Rehnberg, notified the Company that he would be temporarily unable to perform his duties. Mr. Rehnberg remains on leave. Thomas A. Bradley, who has served on the Board since 2018, including as Board Chairman since 2020, continues to assume Mr. Rehnberg's authority, duties and responsibilities as Interim Chief Executive Officer. Upon his appointment to Interim Chief Executive Officer, Mr. Bradley ceased to serve as a member of the Audit Committee and the Human Resources ("HR") Committee. In accordance with our Corporate Governance Guidelines, the Board appointed Bernard Bailey to serve as the lead independent director for the period Mr. Bradley serves as our Interim Chief Executive Officer.

Information of our Directors

We provide a summary of biographical and committee information for each of our directors as of April 29, 2022.

<table>
<tr><th colspan="2">Bernard C. Bailey</th></tr>
<tr><td rowspan="2">Age: 68
Director Since: 2020
Lead Independent Director Since: March 2022
Committees:
Audit
Human Resources
Nominating and Corporate Governance
Other Current Public Directorships:
Telos Corporation (will no longer serve as a director and audit committee member after May 2022)
Other Previous Public Directorships During Last Five Years:
Analogic Corp</td>
<td>Experience:
• President of Paraquis Solutions, a private consulting company focused on corporate governance and strategy (January 2020 – present).
• During the period September 2018 to December 2019, he served as President of the Committee for Economic Development, a business-led, nonpartisan economic think tank.
• Served as Chairman and CEO of Authentix, a private equity-backed global enterprise focused on anti-counterfeiting and brand protection practices, from 2012 to 2018. Since its sale by the Carlyle Group to Blue Water Energy, he has continued to serve as Chairman of the Board of Authentix since September 2018.
• Prior to that, he ran his own consulting company, Paraquis Solutions, LLC. Mr. Bailey also served as President and CEO of Viisage Technology, Inc.
• Ph.D. in Management from Case Western Reserve University where his dissertation focused on corporate governance; MBA from The George Washington University School of Business as well as degrees in engineering and systems management from the University of California, Berkeley, University of Southern California, and the United States Naval Academy.</td></tr>
<tr><td>Key Qualifications:
Mr. Bernard C. Bailey's career spans over three decades of business and management experience, including experience as a public-company Chief Executive Officer, as well as extensive board experience. He has expertise in the security and technology industries, serving both public and private sector customers.</td></tr>
</table>

Thomas A. Bradley

Age: 64

Director Since: 2018

Committees:

None

Other Current Public Directorships:

Horace Mann Educators Corporation

Other Previous Public Directorships During Last Five Years:

None

Experience:

- Interim Chief Executive Officer since March 3, 2022.
- Retired from Allied World Assurance Company Holdings, AG, a global provider of insurance and reinsurance solutions, in July 2017. He had served there as the Chief Financial Officer and Executive Vice President since 2012.
- Prior to that, Mr. Bradley had served as the Executive Vice President & Chief Financial Officer for two other public companies, Fair Isaac Corporation and the St. Paul Companies.
- Also held senior financial and operational positions at Zurich Insurance Group, including Chief Financial Officer for North America and Chief Executive Officer of the Universal Underwriters Group (now Zurich Direct Markets).
- Formerly a director of Nuveen Investments, Inc.
- Received a Bachelor of Science degree in accounting from the University of Maryland and a Masters in Business Administration from Loyola University of Maryland and is a Certified Public Accountant (inactive).

Key Qualifications:

Our Board considered Mr. Bradley's extensive leadership and accounting, internal control, and audit experience. Mr. Bradley also possesses financial reporting expertise and a level of financial sophistication that would qualify him as a financial expert of the Audit Committee (although as noted above, Mr. Bradley ceased to serve as a member of the Audit Committee upon his appointment as Interim Chief Executive Officer).

Fred R. Donner

Age: 64

Director Since: 2020

Committees:

Audit (Chair)

Risk & Capital

Other Current Public Directorships:

None

Other Previous Public Directorships During Last Five Years:

None

Experience:

- Senior Managing Director in the Global Insurance Practice of FTI Consulting (2018-present).
- Former Executive Vice President, Enterprise Risk Management for Travelers Insurance Co. ("Travelers") and Chief Financial Officer for its Business and International Insurance segment from 2014 until his retirement in 2017.
- Joined Travelers in 2009 as Senior Vice president and Chief Financial Officer of its Personal Lines Insurance segment. Also served as Chief Financial Officer and Chief Operating Officer of its Business Insurance segment from 2010 to 2014.
- Prior thereto, served as Executive Vice President and Chief Financial Officer of RenaissanceRe Ltd., a New York Stock Exchange listed, Bermuda-based international reinsurance company.
- Began his career in the audit practice in KPMG's New York City office and during his 23 years at the firm he rose through the ranks to become the National Partner-in-Charge of the firm's Insurance Practice, overseeing the delivery of audit, advisory and tax services to all facets of the insurance industry.
- Holds a bachelor's degree in business administration from Pace University and currently serves on the advisory board for the University's Lubin School of Business. He is a member of the American Institute of Certified Public Accountants.

Key Qualifications:

Our Board considered that Mr. Donner is a senior finance executive with over 30 years of experience in the insurance industry. He has extensive experience in financial and operational roles and advising corporations through restructurings, international expansion, risk management and capital market transactions. Mr. Donner also possesses financial reporting expertise and a level of financial sophistication that qualify him as a financial expert and a member of the Audit Committee.

Anthony P. Latham	
Age: 72 **Director Since:** 2019 **Committees:** Nominating and Corporate Governance Risk & Capital **Other Current Public Directorships:** None **Other Previous Public Directorships During Last Five Years:** Ecclesiastical Insurance	**Experience:** • Independent director of the Company's wholly owned subsidiary, Argo Managing Agency Limited, which underwrites insurance risks for the Company's syndicate at Lloyd's of London, since 2016. • Previously a board member of Pool Re for over two decades where he served as chairman for more than 12 years. • Previously a board member of Codan A/S, Airclaims, Flagstone Re, British Aviation Insurance and Ecclesiastical Insurance where he chaired its Risk Committee. • Began his career with Sedgwick (now part of Marsh Inc.) before joining RSA Group where, over a period of 17 years, he served as a member of the group executive and held a number of senior executive roles, including managing director of the global risks division. **Key Qualifications:** Our Board considered Mr. Latham's significant international insurance industry management and operational experience gained as a senior executive of a global insurance business and governance experience. Mr. Latham has international insurance industry experience spanning more than four decades.

Dymphna A. Lehane	
Age: 58 **Director Since:** 2017 **Committees:** Human Resources (Chair) Risk & Capital **Other Current Public Directorships:** None **Other Previous Public Directorships During Last Five Years:** None	**Experience:** • Portfolio of insurance related board roles including former Independent Chair of the Debt Market Integrator, a United Kingdom Government (Cabinet Office) venture serving a number of government departments (2016-2020), Chairman of ORIC International, the Insurance Industry Risk Consortium (2015-2020), and non-executive director of Aviva Ireland Life and Pensions and Aviva Ireland Health. • From 1988 to 2007, Ms. Lehane was a Senior Partner at Accenture, including serving as Global Managing Partner, Insurance Industry. • Holds a BSc Computer Science from the University of Witwatersrand and an MBA from the International Institute for Management Development in Lausanne, Switzerland. Also completed the University of Oxford's Leading Sustainable Corporations program in 2021. **Key Qualifications:** Our Board considered Ms. Lehane's specialized expertise in the global insurance industry and experience in the areas of corporate governance, risk management and digital transformation specific to the financial services industry. Ms. Lehane's 30-year international career includes significant experience dealing with strategic issues and technology-led business change at global insurance companies. She has a special interest in corporate sustainability.

Samuel G. Liss	
Age: 65 **Director Since:** 2019 **Committees:** Nominating and Corporate Governance (Chair) Human Resources Investment **Other Current Public Directorships:** Verisk Analytics, Inc. **Other Previous Public Directorships During Last Five Years:** DST Systems, Inc.	**Experience:** • Managing principal of Whitegate Partners LLC, an advisory firm to operating companies and private equity firms specializing in the financial services and business services sectors, since 2011. • Adjunct Professor at both New York University Stern School of Business and Columbia Law School. • From an operational perspective, Mr. Liss served as Executive Vice President and member of the Management Committee at Travelers, where he was responsible for corporate development, as well as group business head of one of Travelers' three operating divisions - Financial, Professional and International Insurance. • Prior to Travelers and an Executive Vice President role at the St Paul Companies, Mr. Liss was a Managing Director in the investment banking and equity divisions at Credit Suisse. He began his career at Salomon Brothers. • Previously served on the board of directors of Ironshore Insurance, Inc. and Nuveen Investments, Inc. • Mr. Liss received a Bachelor of Arts degree from Wesleyan University, pursued graduate studies at the London School of Economics and received a Masters of Business Administration from New York University. **Key Qualifications:** Our Board considered Mr. Liss' management and operational experience gained as a senior executive of a global insurance business, expertise in investment banking and capital markets, and a broad range of public company governance experience.

Carol A. McFate	
Age: 69 **Director Since:** 2020 **Committees:** Investment (Chair) Audit **Other Current Public Directorships:** Rent-A-Center, Inc. **Other Previous Public Directorships During Last Five Years**: None	**Experience:** • Former Chief Investment Officer of Xerox Corporation, a global corporation that sells print and digital document products and services, from late 2006 until she retired in October 2017. She was responsible for the insourcing, oversight and management of retirement investments for the US, Canada and the UK. • Prior to that, Ms. McFate served in a number of senior executive finance and investment management roles in the insurance industry over nearly two decades, including Executive Vice President and Global Treasurer of XL Global Services (the shared services subsidiary of XL Capital Ltd); Vice President & Treasurer of American International Group, Inc.; and Senior Vice President, Prudential Investment Corp. (investment subsidiary of The Prudential Insurance Company). • Ms. McFate was elected to the Board of Directors of Rent-A-Center, Inc. in June 2019, where she serves on the Audit and Risk Committee and chairs the Nomination and Corporate Governance Committee. • In July 2019, Ms. McFate joined the Board of Verger Capital Management, LLC, a registered investment manager, and serves as the Chair of the Audit & Compliance Committee and as a member of the Investment and Executive Committees. • Previously, she served on the Board of Directors of CIEBA, Inc. and the Board of Trustees of The Katharine Hepburn Cultural Arts Center and the Parsons Dance Foundation. • Ms. McFate earned an MBA from the Harvard University Graduate School of Business (Harvard Business School) and a B.S. in Economics from Juniata College. She is also a Chartered Financial Analyst (CFA). **Key Qualifications:** Our Board considered Ms. McFate's extensive experience in senior positions over her 40-year career in executive roles in the insurance and financial services industries. Her experience in finance and investment management brings expertise in global capital and investment markets, multi-discipline risk management, capital and liquidity management, and insurance company financial management.

Al-Noor Ramji	
Age: 67 **Director Since:** 2017 **Committees:** Risk & Capital (Chair) Investment **Other Current Public Directorships:** None **Other Previous Public Directorships During Last Five Years:** None	**Experience:** • Group Chief Digital Officer at Prudential plc, an international financial services group, since January of 2016 and is responsible for developing and executing an integrated, long-term digital strategy for the group. • Before joining Prudential, he worked at Northgate Capital, a venture firm in Silicon Valley, from November 2014 to December 2015 where he ran technology-focused funds. • Prior to working at Northgate Capital, Mr. Ramji served as Chief Strategy Officer of Calypso Technology, Inc. from March 2014 until July 2015. Prior to this, he was a director of Misys plc, a financial services group, and also served as an executive vice president of Misys Plc. • Previously held leading technology and innovation roles at BT Group, Qwest Communications, Dresdner Kleinwort Benson and Swiss Bank Corporation. **Key Qualifications:** Our Board considered Mr. Ramji's extensive background in information technology services and digital strategies which play an integral role in the Company's operations.

Kevin J. Rehnberg	
Age: 58 **Director Since:** 2020 **Committees:** N/A **Other Current Public Directorships:** None **Other Previous Public Directorships During Last Five Years:** None	**Experience:** • Currently on leave from his position as President and Chief Executive Officer of the Company which he has held since February 2020; Interim President and Chief Executive Officer of the Company from November 2019 until February 2020. • Prior thereto, Mr. Rehnberg was President of the Americas and Chief Administrative Officer of the Company since January 2019. • From March 2013 to January 2019, served President of the Company's U.S. Operations. • Prior to joining the Company, Mr. Rehnberg served as executive vice president for specialty lines at OneBeacon Insurance where he oversaw specialty business. • Began his career at Chubb in 1986 and held a number of roles with increasing responsibility at Chubb Atlantic, Liberty, St. Paul and St. Paul Travelers through 2005. • Holds a bachelor's degree in History from Princeton University. **Key Qualifications:** Our Board considered Mr. Rehnberg's wealth of experience in the specialty property and casualty insurance sector and his critical understanding of the Company's operations.

Information About Our Executive Officers

Below are the name, age, offices held and business experience for each of the Company's executive officers as of April 29, 2022.

Thomas A. Bradley (64) has been our Interim Chief Executive Officer since March 3, 2022. Mr. Bradley served as the Chief Financial Officer and Executive Vice President of Allied World Assurance Company Holdings, AG, a global provider of insurance and reinsurance solutions, from 2012 until his retirement in 2017. Prior to that, Mr. Bradley had served as the Executive Vice President and Chief Financial Officer for two other public companies, Fair Isaac Corporation and the St. Paul Companies. He also held senior financial and operational positions at Zurich Insurance Group, including Chief Financial Officer for North America and Chief Executive Officer of the Universal Underwriters Group (now Zurich Direct Markets). Mr. Bradley received a Bachelor of Science degree in accounting from the University of Maryland and a Masters in Business Administration from Loyola University of Maryland and is a Certified Public Accountant (inactive).

Kevin J. Rehnberg (58) is currently on leave from his position as President and Chief Executive Officer which he has held since February 2020. Mr. Rehnberg previously served as the Interim President and Chief Executive Officer from November 2019 to

February 2020, and President, Americas Insurance and Chief Administrative Officer from January 2019 to November 2019. From March 2013 to January 2019, Mr. Rehnberg was President of the Company's U.S. Operations, overseeing all activities of the Company's U.S.-based business segments. Prior to joining the Company, Mr. Rehnberg served as executive vice president for specialty lines at OneBeacon Insurance, where he oversaw specialty underwriting operations and acquired and built new lines of specialty business. Prior to that, he held positions at the St. Paul Travelers Companies, Liberty International and Chubb Corporation. Mr. Rehnberg serves as a board member of ePath Logic, a web application that integrates into a health system's workflow and brings laboratory expertise to the ordering clinician in a cost-effective manner. He has a bachelor's degree from Princeton University.

Scott Kirk (49) became the Chief Financial Officer of the Company in March 2021. He was previously employed by Aspen Insurance Holdings Limited ("Aspen"), a global property and casualty insurance and reinsurance company, holding various roles beginning in 2007 and most recently served as Aspen's Group Chief Financial Officer from 2014 until April 2020. Prior to joining Aspen, Mr. Kirk worked at Endurance Specialty Holdings Ltd. between 2002 and 2007, holding several senior finance roles. Previously, Mr. Kirk was at Trenwick International Ltd. in London working in finance and treasury. Mr. Kirk began his career as an auditor at KPMG, Brisbane and is a member of the Institutes of Chartered Accountants in both England and Wales and Australia.

Susan B. Comparato (52) became the Chief Administrative Officer of the Company in August 2021. She previously served as Argo Group's U.S. General Counsel and most recently as SVP, U.S. Insurance, managing a portfolio of the Company's U.S. business lines. Prior to joining the Company in August 2018, Ms. Comparato spent 16 years at Syncora Holdings where she held a number of senior positions, including as their CEO, General Counsel and Board member. Ms. Comparato started her career as a securitization attorney with Sidley Austin LLP. Ms. Comparato received a Bachelor of Science degree in finance from Georgetown University and her Juris Doctor degree from William & Mary Law School.

Allison D. Kiene (55) has served as the Company's General Counsel since October 2020 and Secretary of the Company since August 2021. She came to the Company from Sompo International Holdings Ltd., a wholly-owned subsidiary of Sompo Holdings, Inc. established in 2017 as the result of the acquisition of Endurance Specialty Holdings Ltd. ("ENH"), where she served as Assistant General Counsel and Chief Compliance Officer. Ms. Kiene joined ENH following ENH's acquisition of Montpelier Re Holdings Ltd. ("MRH") in July 2015. From 2007 to 2015, Ms. Kiene served as Assistant General Counsel, Assistant Group Secretary and Head of Group Compliance for MRH. While at MRH, Ms. Kiene also served as General Counsel and Chief Compliance Officer for MRH's investment management company, Blue Capital Management Ltd. Since October 2019, Ms. Kiene has served as a board member and chair of the Governance and Nomination Committee, and as Treasurer, of Team Telomere, a non-for-profit organization dedicated to providing information and support services to families worldwide affected by Dyskeratosis Congenita and Telomere Biology Disorder. Ms. Kiene received her Bachelor of Science degree in Pharmacy from the University of Connecticut School of Pharmacy and her Juris Doctor degree from the University of Connecticut School of Law. Ms. Kiene is admitted to the Bar in Connecticut, Massachusetts, and New York.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires directors, executive officers and holders of more than 10% of Common Shares to file with the SEC reports regarding their ownership and changes in ownership of the Company's securities. Based on our review of these reports, we believe that during 2021 all reports for the Company's executive officers, directors and 10% shareholders that were required to be filed under Section 16(a) of the Exchange Act were timely filed, except that (i) Scott Kirk subsequently amended his Form 3 on May 13, 2021 to correct the number of securities he beneficially owned on March 16, 2021, the date he was appointed as Chief Financial Officer, and (ii) Kevin J. Rehnberg subsequently amended on March 30, 2021 his Form 4 filed on August 18, 2020 to correct the omission of 9,490 shares of common stock directly held by Mr. Rehnberg in his reported total beneficial ownership of common stock.

Family Relationships

There are no family relationships between any of the Company's directors or any of its executive officers.

Corporate Governance

Code of Conduct and Business Ethics

The Board has adopted a Code of Conduct and Business Ethics (the "Code of Conduct") that applies to all its directors, officers and employees, including the principal executive officer and the principal financial officer, copies of which are available on the Company's website at *www.argolimited.com* under the "Investors" tab and then the "Governance" tab. In addition, copies of the Code of Conduct can be obtained, free of charge, upon written request to our principal executive offices as follows: Investor Relations, 90

Pitts Bay Road, Pembroke HM 08, Bermuda. Any amendments to or waivers of the Code of Conduct that apply to the Board or its executive officers will be disclosed on our website.

Director Nomination Process

There have been no changes to the procedures by which shareholders may recommend nominees to the Board during the fiscal year 2021.

Audit Committee

The Audit Committee assists the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications and independence of the independent registered public accounting firm, and (iv) the performance of the Company's internal auditing function and the independent registered public accounting firm.

As of April 29, 2022, Messrs. Bailey, Donner and Ms. McFate serve as members of the Audit Committee and each such member is "independent" and meets the other requirements for audit committee membership, including financial literacy, as defined by applicable NYSE listing rules and SEC rules for audit committee members. Mr. Donner qualifies as "audit committee financial expert" within the meaning of applicable SEC rules and regulations governing the composition of the Audit Committee.

Item 11. Executive Compensation

Non-Employee Director Compensation

Compensation Program

As of April 29, 2022, our non-employee directors receive a combination of cash retainers and special meeting fees as described in the following table. In addition, our non-employee directors receive annual grants of equity compensation. We also reimburse our directors for travel, lodging and related expenses incurred in attending our Board or committee meetings or for travel related to the Company's business.

Working with FW Cook, the independent compensation consultant to the HR Committee, our Board reviews compensation on a regular basis to evaluate whether our non-employee director compensation program is market competitive with our peers. Following the 2021 market review of director compensation and based on the recommendation of FW Cook in May 2021, our Board determined to extend the $1,000 fee previously provided for special meetings of the Audit Committee to also include attendance for special meetings of any of the Board committees. Prior approval from the HR Committee is required to pay a fee to attend informational calls of the Board or its committees. In April 2022, after consultation with FW Cook, the Board approved an annual retainer of $30,000 for the lead independent director. Mr. Bradley stopped receiving any compensation related to his service as a director or Chairman of the Board upon his appointment as Interim Chief Executive Officer. The director compensation program did not otherwise change as compared to 2020.

<u>Cash Compensation</u>	
Annual Retainer (paid in quarterly installments)	$85,000, of which $40,000 ($10,000 per quarter) is paid subject to attendance at Board meetings
Board and Committee Meeting Fees	Special Meetings of the Board = $2,000 per meeting Special Meetings of the Committees = $1,000 per meeting Informational Calls of the Board or Committees with prior HR Committee Approval = $1,000 per meeting
Board and Committee Retainers (paid in quarterly installments)	• Chairman of the Board = $125,000 annual retainer • Lead Independent Director = $30,000 annual retainer • Chair, Audit Committee = $25,000 annual retainer • Member, Audit Committee = $10,000 annual retainer • Chair, Human Resources Committee = $15,000 annual retainer • Member, Human Resources Committee = $8,000 annual retainer • Chair, Investment Committee = $15,000 annual retainer • Member, Investment Committee = $8,000 annual retainer • Chair, Nominating and Corporate Governance Committee = $15,000 annual retainer • Member, Nominating and Corporate Governance Committee = $8,000 annual retainer • Chair, Risk & Capital Committee = $15,000 annual retainer • Member, Risk & Capital Committee = $8,000 annual retainer
<u>Equity Compensation</u>	
Annual Equity Awards	Annual grant of $95,000 awarded in restricted stock subject to the terms of the award agreements

2021 Non-Employee Director Compensation

The following table sets forth our non-employee directors' 2021 cash and equity compensation.

Name[(1)]	Fees Earned or Paid in Cash[(2)]	Stock Awards[(3)]	Total
Thomas A. Bradley	$232,000	$94,988	$326,988
Bernard C. Bailey	111,000	94,988	205,988
Fred R. Donner	132,000	94,988	226,988
Anthony P. Latham	265,976[(4)]	94,988	360,964
Dymphna A. Lehane	121,000	94,988	215,988
Samuel G. Liss	123,000	94,988	217,988
Carol A. McFate	110,500	94,988	205,488
Kathleen A. Nealon [(5)]	143,237 [(6)]	—	142,237
Al-Noor Ramji	119,000	94,988	213,988
John H. Tonelli[(5)]	60,000	—	60,000

(1) Current Committee and chairperson appointments can be found in the table starting on page 6.

(2) Includes all retainers, committee and/or chairmanship fees, and fees related to attending special or informational meetings of the Board and its Committees.

(3) Represents the grant date fair value of restricted stock granted by the Company during 2021, calculated in accordance with U.S. GAAP ASC Topic 718, based on the closing stock price of a share of Company common stock on the date of grant. Ms. Nealon and Mr. Tonelli retired from the Board immediately following the 2021 Annual General Meeting of the Shareholders, and therefore did not receive the annual grant of restricted stock in 2021.

(4) $161,976 of this amount represents payments to Mr. Latham for service on the board of directors of the Company's subsidiary, Argo Managing Agency Ltd. Mr. Latham receives 120,000 in British Pounds for his service as Chairman of the Board of this subsidiary. The payment was converted into U.S. dollars for purposes of the foregoing table using a December 31, 2021 exchange rate of 1.3498 US$/GBP.

(5) Ms. Nealon and Mr. Tonelli retired from the Board immediately following the 2021 Annual General Meeting of Shareholders.

(6) $87,737 of this amount represents payments to Ms. Nealon for service on the board of directors of the Company's subsidiary, Argo Managing Agency Ltd. until her retirement immediately following the 2021 Annual General Meeting of the Shareholders. Ms. Nealon was paid 65,000 in British Pounds for her service as a board member and Chair of the Remuneration Committee of this subsidiary. The payment was converted into U.S. dollars for purposes of the foregoing table using a December 31, 2021 exchange rate of 1.3498 US$/GBP.

The following table sets forth the aggregate number of shares of restricted stock held as of December 31, 2021 by each individual who served as a non-employee director of the Company during 2021:

Name	Shares of Restricted Stock
Thomas A. Bradley	1,665
Bernard C. Bailey	1,665
Fred R. Donner	1,665
Anthony P. Latham	1,665
Dymphna A. Lehane	1,665
Samuel G. Liss	1,665
Carol A. McFate	1,665
Kathleen A. Nealon	0
Al-Noor Ramji	1,665
John H. Tonelli	0

Director Stock Ownership

All of our non-employee directors are expected to comply with the Company's Equity Ownership Guidelines, which requires each non-employee director to hold equity having a value equal to or greater than five times the annual retainer they received for service on the Board in the preceding year. Non-employee directors must hold all after-tax vested shares earned through service on the Board until they meet the guideline ownership level. Compliance is tested as of the first business day of the second quarter each year. As of April 29, 2022, all of our non-employee directors either held the requisite number of shares or were subject to the 100% retention requirement.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis discusses our compensation policies and determinations that applied to the following named executive officers ("NEOs") for the 2021 fiscal year:

Name	Title
Kevin J. Rehnberg	President and Chief Executive Officer
Scott Kirk(1)	Chief Financial Officer
Andrew M. Borst(2)	Interim President of International Operations
Susan B. Comparato(2)	Chief Administrative Officer
Allison D. Kiene	General Counsel and Secretary
Former Executive Officers	
Jay S. Bullock(1)	Former Executive Vice President and Chief Financial Officer
Timothy D. Carter(2)	Former Chief Underwriting Officer
Matthew J. Harris(2)	Former Group Head of International Operations

(1) On July 2, 2020, the Company announced the departure of Mr. Bullock as Executive Vice President and Chief Financial Officer of the Company. Mr. Bullock continued to serve as Executive Vice President and Chief Financial Officer through March 15, 2021. Mr. Kirk joined the Company on February 8, 2021, and succeeded Mr. Bullock as the Company's Chief Financial Officer on March 16, 2021. Mr. Bullock remained employed in an advisory capacity through March 31, 2021.

(2) On August 6, 2021, Mr. Harris resigned as Group Head of International Operations of the Company, and on August 11, 2021 Mr. Carter's employment as Chief Underwriting Officer with the Company was terminated without cause. On August 12, 2021, the Company appointed Mr. Borst as Interim President of International Operations and Ms. Comparato as Chief Administrative Officer, replacing Mr. Borst's previous role. Mr. Borst voluntarily resigned from the Company effective April 1, 2022.

Executive Summary

Business Overview

The Company is a distinctive U.S. focused specialty insurer with well-established businesses operating in key specialty markets. We operate in the specialty insurance market where we focus on discrete niche products or businesses that require specialized or hard-to-place coverage. We believe the specialized nature of the products we offer provides our underwriters the flexibility over rates, terms and forms to produce superior loss ratios over the long-term. Our fundamental operating principles are designed to create an efficient organization that is focused on delivering results and improved shareholder value creation. The Company operates primarily in two segments, U.S. Operations and International Operations. In addition to these main business segments, we have a Run-off Lines segment for certain products we no longer underwrite.

2021 Company Performance and Strategy

During 2021, the Company made significant progress in a number of strategic priorities and enhancing our business profile as a U.S. focused specialty insurer, while realigning, simplifying and ultimately positioning the business for future profitability. Key achievements included:

Repositioned Business Units for profitability

- Entered into an agreement to sell our Brazilian business which was completed on February 15, 2022
- Sold renewal rights to U.S. Specialty Property business
- Sold renewal rights to Contract Binding P&C business
- Exited London Property D&F and North American Binders business in Syndicate 1200
- Reduced group-wide property exposure

Continued Expense Reduction Efforts

- Progressed on expense initiatives aimed at reducing the expense ratio to 36.0% for the full year of 2022, representing a 250-basis point improvement from 2019 results
- Reduced workforce by approximately 20%, representing nearly a 300-headcount decrease including divestitures since July 1, 2020
- Continued actions to reduce outside services spend by 35% for the full year 2022, or more than $30 million as compared to year-end 2019
- Continued actions to reduce real estate expense by 40% for the full year 2022, or $8 million as compared to year-end 2019, through footprint reduction

Made Progress on ESG Initiatives

- Delivered on our 2021 Greenhouse Gas targets
- Executed a climate risk management framework to manage physical, transition and litigation exposures within agreed risk tolerance levels
- Published our first ClimateWise Report that aligns with the principles of the Task Force on Climate-related Financial Disclosures
- Matured the operation of the Company’s Employee Resource Groups and increased engagement in diversity and inclusion programs
- Integrated an updated Responsible Investment Policy into our stewardship and engagement of our investment managers

Compensation Governance

The HR Committee reviews on an ongoing basis the Company's executive compensation program to evaluate whether it supports the Company's executive compensation philosophies and objectives and whether the program is aligned with shareholder interests. Our executive compensation practices include the following, each of which the HR Committee believes reinforces our executive compensation objectives:

What We Do	What We Don't Do
☑ Pay for performance by structuring a significant percentage of target annual compensation in the form of variable, at-risk compensation	☒ No guaranteed annual salary increases or bonuses
☑ Pre-established performance goals that are designed to be aligned with the creation of shareholder value	☒ No excise tax gross-ups
☑ Use of a compensation peer group to evaluate market competitiveness of our executive compensation program	☒ No repricing of stock options permitted
☑ Maximum payout caps for incentive compensation	☒ No hedging or pledging of Company stock
☑ Double-trigger vesting for equity awards in the event of a change in control	☒ No dividends or dividend equivalents paid on unvested equity awards
☑ Require meaningful equity ownership by executive officers	☒ No multi-year compensation guarantees
☑ Maintain a clawback policy that applies to any cash, equity-based annual or long-term incentive and other performance-based compensation awards and includes a trigger for egregious conduct substantially detrimental to the Company absent a financial restatement	☒ No single-trigger change in control provisions
☑ Perform a thorough compensation risk assessment	
☑ Retain an independent compensation consultant	
☑ Engage in regular shareholder outreach	
☑ Limited and customary perquisites and other personal benefits	

Shareholder Engagement and Responsiveness to 2021 Advisory Vote on Executive Compensation

During shareholder outreach conducted in 2021 and 2020, we received extremely positive shareholder feedback around the compensation and governance changes that had been implemented in 2021 and 2020, including the change to the long-term incentive ("LTI") design for NEOs to place a higher weighting on performance-based awards with metrics based on three-year book value per share ("BVPS") and return on equity ("ROE") and the introduction of an the ESP. In designing our executive compensation program, our executive management team and the Board carefully considered shareholder feedback as well as insights gathered through our prior engagement efforts to structure a program in a manner that we believe fits well within our overall compensation philosophy and the objectives of our executive compensation and governance programs, and is aligned with the interests of our shareholders.

Following our 2021 Annual General Meeting of Shareholders, the HR Committee reviewed the results of the shareholder advisory vote on executive compensation in which approximately 97.7% of the votes were cast in favor of the proposal. The HR Committee did not make any changes to the Company's executive compensation program in response to the 2021 shareholder advisory vote.

Executive Compensation

Compensation Philosophy

The main objective of our executive compensation philosophy is to focus executives on the achievement of financial and operational performance over the short- and long-term in order to maximize shareholder value and support business objectives. Our compensation program is designed to increase shareholder value by:

- Linking pay to both Company and individual performance;

- Aligning our executives' incentive compensation with the Company's short- and long-term strategic and financial goals and providing a significant component of compensation that is performance-based;
- Providing a competitive compensation program that allows us to attract and retain superior talent in the competitive specialty insurance marketplace in which we operate; and
- Appropriately managing risk.

Compensation Elements and Pay Mix

Our goal is to retain and attract experienced and talented executive officers and to motivate them to achieve our short- and long-term financial, operational and strategic objectives that produce and promote shareholder value. To achieve this goal, we strongly emphasize a culture of pay for performance in order to provide incentives and accountability for our executive officers in working toward the achievement of our objectives. Accordingly, we have designed our incentive compensation program with the goal of ensuring that actual realized pay varies based on achievement of challenging performance goals and demonstration of meaningful individual commitment and contribution.

The table below summarizes the key components of our executive compensation program (described in more detail beginning on page 20) and highlights significant compensation decisions of the HR Committee in fiscal year 2021 with respect to such program.

Compensation Component	Link to Business Strategy and Shareholder Value	2021 Compensation Decisions
Base Salary (Page 20)	• Provide a competitive level of fixed compensation that allows us to attract and retain executive talent • Base salaries reflect the experience, skills and responsibilities of each NEO, the pay practices of companies with whom we compete for talent, economic conditions, and the HR Committee's assessment of the Company and individual performance	• Two of our NEOs received base salary adjustments and, in the case of Mr. Kirk, his base salary was established when he joined the Company after considering market data. No other changes to NEO salaries were approved for 2021
Annual Incentive Compensation (Page 21)	• Incentivize executives to achieve pre-established annual corporate/business unit financial goals and individual performance achievements aligned with the Company's financial, operational and strategic objectives • Financial goals based on achieving adjusted underwriting income and combined ratio targets, with payout ranging from 0% to 200% of target opportunity • Payouts are capped at 200% of target opportunity regardless of individual performance • The HR Committee views non-financial individual performance as an important contributor to the Company's future operational and financial performance	• In 2021, the HR Committee redesigned the Annual Incentive Plan (**"**AIP") as follows – 80% was based on achievement relative to pre-established underwriting income and normalized combined ratio results, as adjusted, and – 20% was based on individual performance with respect to pre-established, non-financial individual goals. • For 2021, the HR Committee approved a funded financial result of 82.7%, inclusive of the individual 20% component.
Long-Term Incentive Compensation (Page 23)	• Encourage stock ownership and align the long-term interests of NEOs with those of our shareholders • Reward and retain executives who contribute to the Company's success through achieving pre-established corporate financial performance objectives that are designed to be aligned with building shareholder value • Performance-based awards vesting 50% based on achievement of tangible BVPS (**"**TBVPS") growth and 50% based on ROE, each measured over a three-year cumulative performance period, with payouts ranging from 25% to 150% of target opportunity	• LTI awards were granted as a mix of 25% time-based and 75% performance-based awards. For the 2021 LTI grant, the HR Committee changed from the BVPS metric used in prior years to TBVPS in order to exclude the impact of intangible asset accounting and better align with shareholder value creation

When determining the appropriate level of compensation for an NEO, the HR Committee looks not only at the separate components of the compensation package and the incentive provided by each but also at the NEO's aggregate level of compensation. This philosophy allows the HR Committee to provide a mix of components to incentivize and reward the desired performance from each NEO. The following graphs illustrate the pay mix and the fixed versus variable portion of Mr. Rehnberg's and, on average, the other continuing NEOs' total target direct compensation as of December 31, 2021.

CEO Target Mix of Pay

Current NEO Average Target Mix of Pay

Elements of the Compensation Program

Our goal is to attract and retain experienced and talented executive officers and to motivate them to achieve our short- and long-term financial, operational and strategic objectives that produce and promote shareholder value. To achieve this goal, we strongly emphasize a culture of pay for performance in order to provide incentives and accountability for our executive officers in working toward the achievement of our objectives.

2021 Base Salary

Consistent with our desire to provide compensation that will attract and retain superior executives, when establishing base salary for our NEOs, the HR Committee considers both (i) the experience, skills and responsibilities of the NEO and (ii) the pay practices of companies with whom we compete for executives. In addition, when establishing base salaries for new hires or internal promotions, the HR Committee considers compensation paid to the executive's predecessor, internal pay equity as well as the level of compensation required to induce an executive to join the Company. When adjusting base salaries, the HR Committee also considers Company performance and an NEO's individual performance. The HR Committee increased Mr. Borst's base salary, effective January 1, 2021, based on a review of market data for his role as Chief Administrative Officer. Mr. Borst subsequently replaced Mr. Harris in August 2021 as Interim President of International Operations. The HR Committee increased Ms. Comparato's 2021 base salary when she assumed her new role as Chief Administrative Officer in August 2021 based on an assessment of market data for her role. Mr. Kirk's initial base salary was established at the time he joined the Company based on a review of the competitive market as well as the Company's historical pay practices.

The 2021 base salaries for our NEOs were as follows:

Executive	2020 Base Salary		(%) Change	2021 Base Salary	
Kevin J. Rehnberg	$ 975,000		0%	$ 975,000	
Scott Kirk(1)	N/A		N/A	630,087	(1)
Andrew M. Borst(3)	400,000		25%	500,000	
Susan B. Comparato(3)	400,000		13%	450,000	
Allison D. Kiene	500,000		0%	500,000	
Former Executive Officers					
Jay S. Bullock	600,000		0%	600,000	
Timothy D. Carter	500,000		0%	500,000	
Matthew J. Harris	539,920	(2)	0%	539,920	(2)

(1) Mr. Kirk joined the Company on February 8, 2021, and succeeded Mr. Bullock as the Company's Chief Financial Officer on March 16, 2021. The amount represents his annualized base salary level at the time he joined the Company.

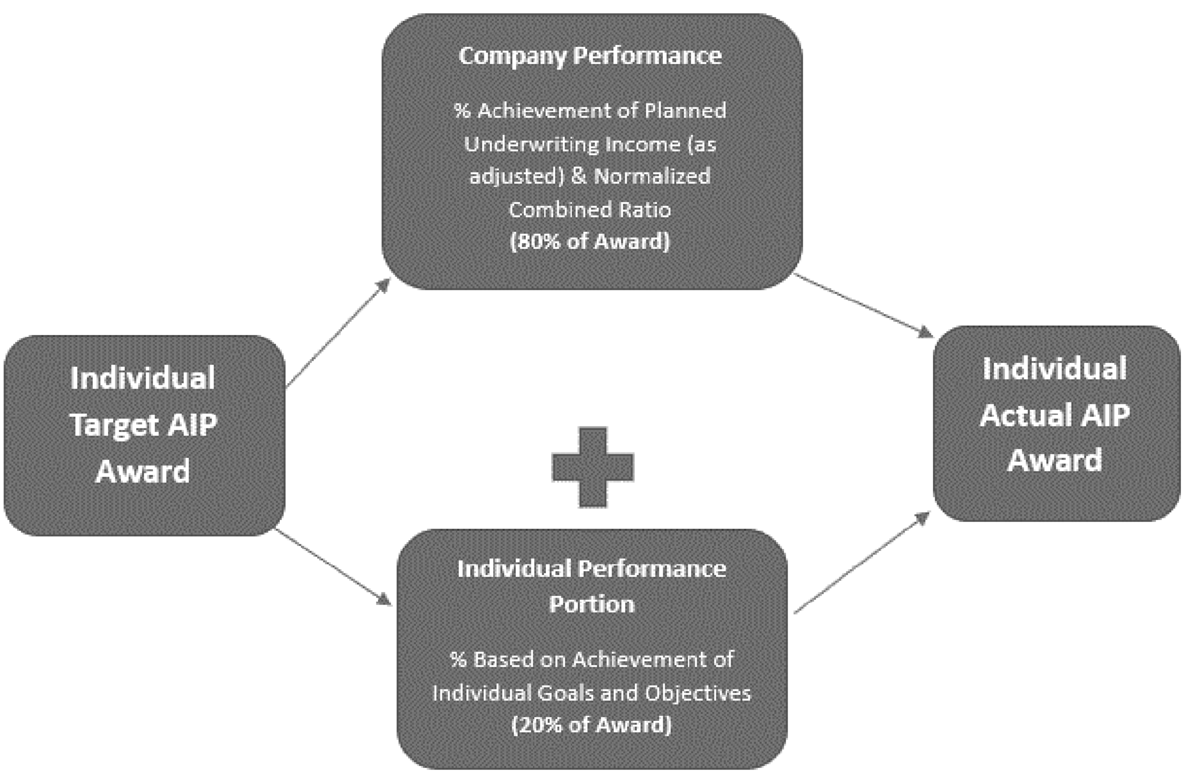
(2) Base salary was converted into U.S. dollars for purposes of the foregoing table using a December 31, 2021 exchange rate of 1.3498 US$/GBP

(3) Mr. Borst received a base salary increase in January 2021 and Ms. Comparato received a base salary increase in August 2021 in connection with her appointment as Chief Administrative Officer.

2021 Annual Incentive Awards

Performance Goal and Target Establishment

Our AIP is structured to motivate and reward achievement of short-term financial goals and individual performance objectives and to provide a strong linkage between pay and performance. For our NEOs, AIP awards are based on an individual's target award, 80% of which is tied to the achievement of pre-established financial objectives and 20% of which is based on the achievement of pre-established annual objectives for each individual. Payouts are capped at 200% of target opportunity.



At the beginning of the year or, if later, upon hire or promotion, each NEO's individual target award is established as a percentage of his or her base salary, after considering market data provided by the HR Committee's independent compensation consultant, individual performance and the Company's historical compensation programs. The 2021 target cash incentive for our participating NEOs were as follows:

Executive [1]	2021 Target Annual Incentive as Percent of Base Salary (%)	2021 Target Annual Incentive ($)	
Kevin J. Rehnberg	125 %	$ 1,218,750	
Scott Kirk	100 %	630,087	(2)
Andrew M. Borst	100 %	500,000	
Susan B. Comparato	75 %	315,000	(3)
Allison D. Kiene	75 %	375,000	
Former Executive Officers			
Timothy D. Carter	100 %	500,000	
Matthew J. Harris	75 %	404,940	(2)

(1) Pursuant to the Bullock Separation Agreement, Mr. Bullock was not eligible to participate in the Company's 2021 AIP.

(2) Target annual incentive was converted into U.S. dollars for purposes of the foregoing table using a December 31, 2021 exchange rate of 1.3498 US$/GBP.

(3) Target annual incentive annualized based on mid-year 2021 salary increase.

2021 Performance Results

2021 Financial Goals

The AIP awards are based 80% on the achievement of pre-established financial metrics. For fiscal year 2021, a pool was determined based on underwriting income and normalized combined ratio targets established at the beginning of the year. Following a comprehensive review of market and peer incentive plan practices, the AIP financial metrics were changed in 2021 from operating income and underwriting income to underwriting income and normalized combined ratio. The HR Committee believes that these metrics are sustainable over time and enhance management's line of sight to controllable performance. Normalized combined ratio is defined as current accident year combined ratio, normalized to the planned catastrophe load. When determining actual results for incentive compensation purposes, the HR Committee retained authority to adjust the results for the impact of certain material non-recurring items outside the control of management in order to reflect the actual operating performance of the Company. Accordingly, in determining the funded payout for 2021 and in accordance with the approved AIP, the HR Committee adjusted the underwriting income for: (i) unanticipated prior year development resulting from the fourth quarter reserve review and (ii) catastrophe losses above plan. The HR Committee selected underwriting income, as adjusted, and normalized combined ratio as strong indicators of the Company's short-term financial and operational performance.

The Company's 2021 target and actual metrics are summarized below. The minimum levels of payout shown for the underwriting income and normalized combined ratio financial metrics represent the outcome under which the individual performance metric would fund, but there is no funding of the financial metrics at this level. If actual financial metrics are below the minimum payout metrics, there will be no funded payout under any performance metrics, including the individual performance metric.

Performance Metric	Metric Weighting	Minimum Payout (0%)	Target Payout (100%)	Maximum Payout (200%)	2021 Adjusted Result	Projected Metric Payout	Weighted Projected Payout
Adjusted Underwriting Income	60.0 %	$ (16.2)[1]	$ 99.8[1]	$ 132.6[1]	$ 76.2[1]	78.3 %	47.0 %
Normalized Combined Ratio	20.0 %	100.7 %	94.5 %	92.7 %	95.8 %	78.3 %	15.7 %
Individual Performance	20.0 %	N/A	N/A	N/A	100.0 %	100.0 %	20.0 %
Total	100.0 %						82.7 %

[1] In millions

2021 Individual Goals

The AIP awards are based 20% on the achievement of individual performance goals in order to allow the HR Committee to appropriately reflect performance that is reasonably within management's control and to reward individual performance when appropriate. At the beginning of 2021, the HR Committee established the performance goals that would be used to determine the individual component for the NEOs. As part of the Company's annual performance evaluation process each year, the CEO, after having received input from the HR Committee and after consultation with each NEO, establishes that NEO's performance objectives for the coming year. These performance objectives are not intended to be rigid or formulaic, but rather to serve as the framework upon which the NEO's overall performance is assessed. These annual performance goals varied by NEO and generally fell within the performance categories of financial, organizational goals and development, leadership, Board interface, improvement in working relationships with key clients, partners, regulators, rating agencies, shareholders and/or the banking community, strategy execution, and diversity and inclusion related goals. Under each performance goal category, each NEO had a number of underlying performance measures against which the NEO's performance was assessed to determine whether the NEO had achieved the overall performance goal. In order to determine payouts relative to the individual component, the HR Committee carefully assessed the performance of each NEO relative to pre-established individual objectives.

The table below sets forth the AIP targets and payouts to each of our participating NEOs based upon 2021 performance, as described above:

Executive	2021 Target Annual Incentive ($)		Annual Incentive Payouts ($)	
Kevin J. Rehnberg	$ 1,218,750		$ 1,007,906	
Scott Kirk (1)	630,087		521,082	
Andrew M. Borst	500,000		413,500	
Susan B. Comparato	315,000	(2)	260,505	
Allison D. Kiene	375,000		310,125	
Former Executive Officers				
Timothy D. Carter	500,000		251,499	(3)
Matthew J. Harris (1)	404,940		N/A	(4)

(1) Target annual incentive and actual incentive payout was converted into U.S. dollars for purposes of the foregoing table using a December 31, 2021 exchange rate of 1.3498 US$/GBP.

(2) 2021 target AIP award is based upon annualized mid-year 2021 salary increase for Ms. Comparato.

(3) Pursuant to the terms of the ESP, Mr. Carter was entitled to receive a prorated AIP payment, based on actual performance, payable at the same time as awards to other participants.

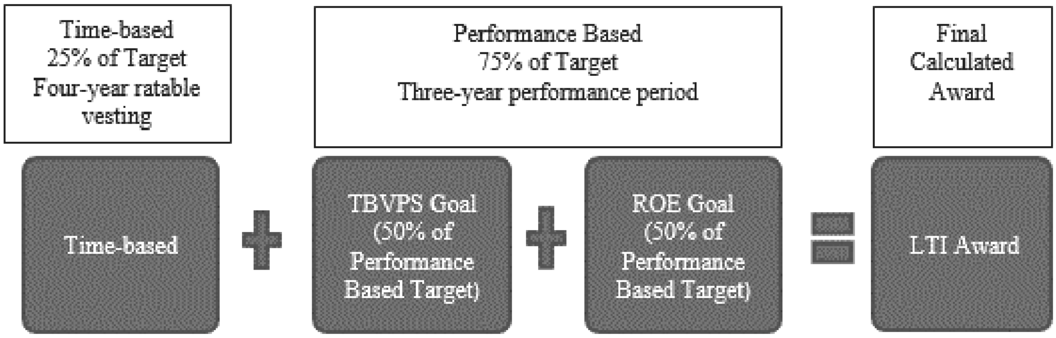
(4) Mr. Harris was not eligible to receive any 2021AIP awards due to his voluntary resignation from the Company on August 6, 2021.

2021 Long-Term Incentive Awards

Our LTI compensation is designed to provide a strong linkage between pay and the Company's strategic goals, and to align the interests of our executives with those of our shareholders by awarding compensation in the form of equity, which may be restricted stock, restricted stock units, performance-based restricted stock, stock options or stock appreciation rights.

Individual target LTI awards for our NEOs are established at the beginning of the year or, if later, upon hire or promotion. As noted above, the 2021 LTI grants were delivered in the form of time-based and performance-based restricted stock awards, weighted 25% and 75%, respectively. The time-based restricted stock awards vest ratably over a four-year period based on the executive's continued employment through the applicable vesting date.

The performance-based restricted stock awards vest based on the achievement of pre-established performance goals relating to TBVPS growth and ROE, each weighted 50% and measured over a cumulative three-year performance period. For the 2021 LTI grant, the HR Committee changed from the BVPS metric used in prior years to TBVPS in order to exclude the impact of intangible asset accounting and better align with shareholder value creation. The TBVPS and ROE performance goals were established taking into account the challenging global economic conditions and market conditions facing our industry at the time the goals were set. The growth in TBVPS and ROE targets under the Company's LTI program were also established based on an assessment of the current operating environment, evidenced by continued and heightened competition relative to prior periods, a modestly improving economic environment at the time, and an improving interest rate environment, which at times has had the effect of increasing investment income. The target goals were designed to be challenging but achievable with strong management performance. Depending on the outcome, the performance-based restricted stock awards may vest up to 150% of the target award opportunity, with no vesting if threshold level goals are not met. The TBVPS and ROE performance targets, along with actual results against targets, will be disclosed following the conclusion of the three-year performance period.



The following table sets forth the target award value of the 2021 LTI awards granted to each participating NEO.

Executive [(1)]		**2021 Target LTI ($)**
Kevin J. Rehnberg	$	2,000,000
Scott Kirk [(2)]		707,273
Andrew M. Borst		500,000
Susan B. Comparato		250,000
Allison D. Kiene		300,000
Former Executive Officers		
Timothy D. Carter [(3)]		500,000
Matthew J. Harris [(2)(4)]		298,701

(1) Pursuant to the Bullock Separation Agreement, Mr. Bullock was not eligible to participate in the Company's 2021 LTI plan.

(2) LTI Target was converted into U.S. dollars for purposes of the foregoing table using a March 2020 through February 2021 monthly average exchange rate of 1.299 US$/GBP.

(3) Pursuant to the terms of his 2021 Separation Agreement and General Release, Mr. Carter's unvested LTI awards were forfeited.

(4) Due to his voluntary resignation from the Company on August 6, 2021, Mr. Harris' unvested LTI awards were forfeited.

One-time Performance Award to Certain NEOs

In November 2018, the Committee approved performance-based restricted stock awards on a selective basis to certain executives, including Messrs. Rehnberg and Bullock (the "2018 Performance Awards"). The 2018 Performance Awards could be earned based on the achievement of specific stock price and expense ratio reduction hurdles by the end of a three-year performance period from January 1, 2019 to December 31, 2021. At the conclusion of the performance period it was determined that these hurdles were not met and, based on performance against these pre-established performance goals, the 2018 Performance Awards were forfeited.

Other Compensation and Benefit Programs

Savings Plans

Substantially all of our United States based employees, including our NEOs who are U.S. citizens, are eligible to participate in our tax-qualified savings plan (the "Qualified Savings Plan" or "401(k) Plan"). This plan provides an opportunity for employees to save for retirement on both a tax-deferred and after-tax basis. Participants may contribute up to 75% of their base salary through tax-deferred and after-tax contributions up to the Internal Revenue Code ("IRC") limit on employee contributions. We match 100% of the first 5% of each employee's bi-weekly contributions. Participants are vested on a five-year graded vesting schedule for employer matching contributions. In addition, we contribute 1% of base salary up to the IRC compensation limit. This contribution vests upon completing three years of service.

Our NEOs who are U.S. citizens are also eligible for a tax-deferred non-qualified defined contribution plan (the "Non-Qualified Savings Plan"). The Non-Qualified Savings Plan provides retirement benefits which would be payable under the Qualified Savings Plan but for the limits imposed by the IRC. Our NEOs who are U.S. citizens may contribute up to 5% of their pay to the Non-Qualified Savings Plan after reaching the maximum allowable IRS contribution to the Qualified Savings Plan. The participant's investment return is calculated as though the account was invested as designated by the individual from substantially the same funds that are available under the Qualified Savings Plan.

Our NEOs who are non-U.S. citizens are eligible to participate in defined contribution pension plans pursuant to the laws of the jurisdictions where they work and reside. The Company generally contributes 15% of a participant's base salary to these plans up to the limits permitted by applicable legislation.

Welfare Benefits and Perquisites

We provide limited perquisites to our NEOs, consisting principally of our corporate-wide benefit programs and, where applicable, relocation assistance. Our NEOs are offered welfare benefits that generally are commensurate with the benefits provided to all of our full-time employees. Welfare benefits consist of company-paid portions of life, disability, medical and dental insurance premiums. The Company also provides our executives with a group umbrella casualty insurance policy and executive long-term disability insurance.

The Board has adopted a policy permitting the use of chartered, private aircraft for business travel only when there is no commercial alternative and then only with prior written approval from either the Chief Executive Officer or the Chief Financial Officer for officers or the Chairman of the HR Committee for directors. During 2021, none of the executive officers or directors used chartered, private aircraft for business travel.

Executive Severance Plan

We believe that reasonable severance arrangements are essential to attracting and retaining highly qualified executives. Our employment arrangements are designed to provide reasonable compensation to departing executives under certain circumstances to facilitate their transition to new employment. As part of these arrangements, we also mitigate potential Company liability by requiring executives to sign a separation and release agreement acceptable to us as a condition to receiving severance benefits. While we do not believe that the provisions of a severance benefit would be the determinative factor in an executive's decision to join or remain with the Company, we believe that the absence of such a provision in an executive's employment arrangement would present a distinct competitive disadvantage in the market for highly skilled and experienced executives. Furthermore, we believe that it is important to set forth the benefits payable in triggering circumstances in advance in an attempt to avoid future disputes or litigation, and to provide consistency among executives with respect to benefits payable upon a termination from the Company under certain scenarios. In determining severance arrangements, the HR Committee has drawn a distinction between a termination initiated by the Company other than for cause versus a termination initiated by the Company for cause or one initiated by the executive (for example, a voluntary resignation). We believe severance arrangements for a termination without cause that is initiated by the Company are appropriate since the executive's departure is due to circumstances not within his or her control.

As such, beginning on January 1, 2021, our NEOs, other than Mr. Rehnberg, were eligible to receive severance benefits pursuant to the terms of the Company's ESP, which was adopted on November 6, 2020, in the event of a termination initiated by the Company other than for cause, as discussed in detail beginning on page 37. The post-termination benefits provided in Mr. Rehnberg's employment agreement and the ESP were determined based on market data, input from the HR Committee's independent compensation consultant and the Company's historical pay practices.

Employment Arrangements with Named Executive Officers

The Company generally executes an offer of employment before an executive joins the Company. This offer describes the basic terms of the executive's employment, including his or her start date, starting salary, annual incentive target and LTI award target. The terms of the executive's employment are based thereafter on sustained good performance rather than contractual terms, and the Company's policies, such as the ESP, will apply as warranted. Under certain circumstances, the HR Committee recognizes that special arrangements with respect to a NEO's employment may be necessary or desirable and, in such cases, may enter into employment agreements or other employment agreements as it deems appropriate.

Kevin J. Rehnberg

On March 11, 2020, the Company entered into an Executive Employment Agreement ("Executive Employment Agreement") with Mr. Rehnberg in connection with his continued appointment as President and Chief Executive Officer. Pursuant to this Executive Employment Agreement, Mr. Rehnberg will serve as the Company's President and Chief Executive Officer through February 18, 2023, subject to earlier termination pursuant to the terms of the Executive Employment Agreement. If Mr. Rehnberg voluntarily resigns from the Company, he is required to provide the Company with thirty days' prior notice.

Under this Executive Employment Agreement, Mr. Rehnberg's annual base salary was set at $975,000, which is reviewed annually by the HR Committee for possible increases (but not decreases) in its sole discretion. Mr. Rehnberg is eligible to earn annual cash incentive and/or LTI awards in the sole discretion of the HR Committee from time to time, subject to his continued employment through any payment date, except as provided in the Executive Employment Agreement. The terms of the Executive Employment Agreement were determined by the HR Committee after considering market practices, the Company's historical pay practices and the input of its independent compensation consultant. Mr. Rehnberg is eligible to receive severance payments and benefits pursuant to the terms of the Executive Employment Agreement, as described on page 36.

Scott Kirk

On February 8, 2021, we announced the appointment of Scott Kirk as Chief Financial Officer, succeeding Mr. Bullock, effective March 16, 2021. In connection with his employment, Mr. Kirk entered into a Service Agreement, dated February 5, 2021, with Argo Management Services Limited, a subsidiary of the Company incorporated and registered in England and Wales. The term of the Service Agreement will continue until the earlier of Mr. Kirk's relocation to the United States or August 7, 2022, subject to either party providing a one month's prior written notice to the other party of an earlier termination.

The Company may, in its discretion, terminate Mr. Kirk's employment at any time and with immediate effect by notifying him and making a payment in lieu of notice ("PILON"), which is subject to and paid in accordance with the terms of the ESP. Mr. Kirk shall not be entitled to any PILON if the Company would otherwise have been entitled to terminate his employment under his Service Agreement without having to provide such notice. In that case the Company is entitled to recover any PILON already made from Mr. Kirk.

Under the terms of the Service Agreement, Mr. Kirk receives a base salary of $600,000 and is eligible for a target annual cash incentive compensation opportunity of up to 100% of his base salary and a LTI target opportunity of $700,000. He is eligible to participate in the Company's retirement and other benefit plans and programs as set forth in the Service Agreement. In order to be eligible to receive an annual incentive compensation payment, Mr. Kirk must be employed through any payment date and not under notice to receive (or have received) a PILON on the date that the annual incentive compensation is paid.

Mr. Kirk received a one-time cash sign-on bonus of $300,000, subject to Mr. Kirk's obligation to reimburse the Company if he were to voluntarily leave the Company within 24 months of receipt of such payment, and a one-time LTI award equal to $200,000, granted in the form of restricted stock that vests ratably over a four-year period, measured from the award grant date. These awards were made to Mr. Kirk as an inducement to join the Company. The terms of the Service Agreement were determined by the HR Committee after considering market practices, the Company's historical pay practices and the input of its independent compensation consultant. Mr. Kirk is eligible for severance benefits under the ESP, as described on page 37, and under the terms of the Service Agreement may be placed on garden leave.

In December 2021, Mr. Kirk received a one-time retention award with a grant date fair value equal to $500,000, delivered in the form of restricted stock that vests ratably over a three-year period, subject to Mr. Kirk's continued service through the applicable vesting date. This award was granted to recognize the critical need to retain Mr. Kirk during the turnaround period and in consideration of unprecedented levels of turnover both in the organization and the external market.

Allison D. Kiene

Ms. Kiene currently serves as our General Counsel and Secretary. The terms of Ms. Kiene's offer letter provide for a base salary of $500,000, a target annual cash incentive compensation opportunity of 75% of her base salary, and LTI target opportunity of $300,000. Ms. Kiene is eligible to participate in the Company's retirement and other benefit plans and programs offered to the Company's other NEOs. Under the terms of her offer letter, Ms. Kiene received a one-time cash sign-on bonus equal to $200,000 in consideration of compensation forfeited from her prior employer, payable in two installments, one in March 2021 ($160,000) and the other in March 2022 ($40,000), subject to Ms. Kiene's obligation to reimburse the Company if she were to voluntarily leave the Company within 24 months of receipt of such payment. Ms. Kiene is eligible for severance benefits under the ESP, as described on page 37.

Jay S. Bullock

On July 2, 2020, the Company announced the departure of Mr. Bullock as Executive Vice President and Chief Financial Officer of the Company. Mr. Bullock continued to serve as Executive Vice President and Chief Financial Officer through March 15, 2021 and the Company and Mr. Bullock entered into a Separation and Transition Agreement and General Release on March 23, 2021 (the "Bullock Separation Agreement"). Pursuant to the terms of this agreement, Mr. Bullock served as an employee adviser to the Company until March 31, 2021 (the "Termination Date") and continued to receive his base salary of $600,000 until the Termination Date. Mr. Bullock was not eligible to participate in the Company's incentive plans in 2021 including, but not limited to the 2021 AIP and LTI plan. Mr. Bullock was entitled to continued vesting of all his prior unvested equity awards.

Under the Bullock Separation Agreement, from April 1, 2021 until June 30, 2021, Mr. Bullock was available to provide consulting services relating to the transition of his duties to his successor, at an hourly rate based on his base salary divided by 2,080. Mr. Bullock did not provide any consulting services during his transition period. Upon Mr. Bullock's execution and non-revocation of the Bullock Separation Agreement, and pursuant to the circumstances of his departure, Mr. Bullock became entitled to the severance benefits for a termination without cause under his 2019 employment agreement, as described on page 37. In addition, Mr. Bullock received $5,000 in attorneys' fees incurred in connection with the negotiation of the Bullock Separation Agreement. The Bullock Separation Agreement also provides that Mr. Bullock will remain subject to the restrictive covenants set forth in his 2019 employment agreement and provides for a general release of claims.

Timothy D. Carter

On August 11, 2021, as part of the Company's efforts to continue to streamline management and reduce expenses, Mr. Carter's employment with the Company was terminated without cause. On August 27, 2021, Argonaut Management Services, Inc. and Mr. Carter entered into a Separation Agreement and General Release. Upon Mr. Carter's execution and non-revocation of the Separation Agreement and General Release, and pursuant to the circumstances of his departure, Mr. Carter became entitled to the severance benefits for a termination without cause under the ESP, as described on page 38. Mr. Carter forfeited his unvested LTI awards or shares as a result of his termination.

Matthew J. Harris

Mr. Harris joined the Company on August 1, 2017 and entered into an employment contract ("Employment Contract"), which among other things, required either the Company or Mr. Harris to provide at least six-months' notice of termination of employment. On August 6, 2021, Mr. Harris provided notice of resignation and the Board agreed to waive the contractual notice period under his Employment Contract and make the resignation effective immediately. In connection with Mr. Harris's resignation, Mr. Harris and Argo Management Services Limited entered into a Separation Agreement, dated August 9, 2021 (the "Harris Separation Agreement"), whereby Mr. Harris was entitled to payment in lieu of notice as described on page 37. Due to Mr. Harris voluntary resignation from the Company, his unvested LTI awards or shares were forfeited, and he was not eligible to receive any 2021 annual incentive awards.

Compensation Setting Process and Governance Elements

Process for Compensation Decisions

In making decisions with respect to the compensation of our executive officers, the HR Committee considers both Company performance and peer group practices to evaluate whether our executive compensation program remains competitive and consistent with best practices and our compensation philosophy. In determining the amount and form of compensation for our CEO, the HR Committee reviews our CEO's performance and makes recommendations regarding his pay to the Board for approval. In determining the amount and form of compensation for our other NEOs, the HR Committee considers our CEO's assessment of their performance and his recommendations regarding their compensation.

When setting compensation levels and awarding compensation for 2021, the HR Committee took into account the Company's strategic and financial goals as well as individual short- and long-term performance objectives for each NEO and other members of the executive management team. The HR Committee also considered the compensation levels of the Company's peers as discussed in the "Compensation Peer Group" section below.

Compensation Peer Group

To evaluate whether our executive compensation program is competitive, the HR Committee compares compensation for its executives with the compensation received by the executives of our competitors. Although the HR Committee considers compensation data for a designated peer group when establishing compensation, the HR Committee does not target a specific percentage of compensation reported by such group. Instead the HR Committee uses the data as a guide in determining the level of compensation necessary to successfully compete for executives. Because the Company seeks to hire and retain experienced and talented executives, the HR Committee has selected a designated peer group that incorporates the companies with whom we compete.

In deciding whether a company should be included in the peer group, the HR Committee considered the following criteria: (i) global operations; (ii) revenue; (iii) market capitalization; and (iv) peers that the Company competes with in the marketplace and for talent. Companies reviewed for peer group consideration typically have revenues between one-third to three times the Company's revenue and market capitalization ranging from one fifth to five times the Company's market capitalization. Each year the HR Committee, with assistance from its independent compensation consultant, conducts a thorough review of the peer group. Based on this review, in 2021, the HR Committee approved the removal of Sirius International Insurance which merged with Third Point Reinsurance Ltd., and the addition of SiriusPoint, which reflects the new company formed from this merger. The 2021 peer group used for the purpose of executive compensation decisions is as follows:

2021 Peer Group

Arch Capital Group	Hiscox	RLI Corporation
Axis Capital Holdings	James River Group	Selective Insurance Group
Beazley	ProAssurance	SiriusPoint (2)
Enstar Group	ProSight Global (1)	
Hanover Insurance Group	Renaissance Re Holdings	

(1) ProSight Global was acquired by TowerBrook Capital Partners LP and Further Global Capital Management in 2021 and will be removed from the peer group used to evaluate 2022 compensation decisions.

(2) Sirius International Insurance merged with Third Point Reinsurance Ltd. in 2021. SiriusPoint represents the combined company.

Equity Ownership Guidelines

The Company requires a designated group of senior executives, including the NEOs, to adhere to its Equity Ownership Guidelines. The guidelines are considered an integral part of the Company's executive compensation program as they align the economic interests of the Company's executives with those of its shareholders. We believe that the guidelines encourage behavior that will foster long-term, sustainable value creation because the value of the stock being held by the participants is influenced by the Company's long-term performance.

Pursuant to the guidelines, designated executives must hold at least 50% of earned or acquired shares until the guideline ownership level is attained. Compliance is tested annually as of the first business day of the second quarter each year. Compliance with the guidelines is a factor that the HR Committee takes into consideration when determining whether to grant future equity awards to our executives under the Company's LTI plan. As of the April 29, 2022, each of our continuing NEOs either held the requisite number of shares or was subject to the 50% retention requirement.

The following table shows the ownership levels applicable to our continuing NEOs, which are expressed as a multiple of salary:

CEO	6x Base Salary
Other NEOs	3x Base Salary

For purposes of the ownership guidelines, only Common Shares owned by or on behalf of an individual or an immediate family member residing in the same household, including stock held in trusts or tax-qualified retirement plans, are counted. The value of each common share is assumed to be the greater of the market value or the book value per common share of the Company's stock on the measurement date.

Compensation Clawback Policy

To provide the Company with the ability to recoup performance-based compensation following misconduct on the part of management that is detrimental to the Company, performance-based compensation may be recovered at the discretion of the Board if an executive officer, during the three-year period preceding the following events, (i) has engaged in fraud or other misconduct that resulted in the need for a restatement of the Company's financial statements that affect such executive officer's compensation or (ii) the executive officer has engaged in certain other egregious conduct that is substantially detrimental to the Company. The Board also has the discretion to recoup performance-based compensation if the payment, grant or vesting of the award was based on the achievement of a performance metric that was calculated by the Company in a substantially inaccurate manner. Our Compensation Clawback Policy is available on our website at *www.argolimited.com* under the "Investors" tab and then the "Governance" tab.

Prohibition of Hedging and Pledging of Equity Securities

Our Insider Trading Policy prohibits our employees, officers and directors from selling any Company securities that they do not own. It also prohibits transactions in exchange-traded options such as puts, calls and other derivative securities of the Company's Common Shares. We prohibit all hedging transactions involving our securities that would insulate our employees, officers and directors from the effects of our stock price performance. The Insider Trading Policy prohibits any pledging of Company securities.

Compensation Risk Assessment

In line with the Company's application of its ERM framework to compensation risk, the HR Committee seeks to ensure that our executive compensation program does not encourage executives to take risks that are inconsistent with the long-term success of the Company. More broadly, we believe that the Company's compensation philosophy is a core part of our risk culture and ensures that underwriters are motivated to produce profitable business and executives are compensated to operate within our Board approved risk appetite.

The HR Committee believes the Company's executive compensation program does not encourage inappropriate risk-taking. During 2021, our ERM function, led by our Chief Risk & Sustainability Officer ("CR&SO"), undertook a risk assessment of our current compensation programs, taking into consideration the anticipated reaction of key stakeholders to a number of potential downside or upside risk scenarios. The assessment considered a number of factors including risk-based measures, program calibration, clawback and 'malus' provisions, deferral features and multi-year structures. The risk analysis also considered potential threats and opportunities introduced by the changes to our compensation programs for 2021. Other factors considered when determining that the compensation program does not encourage excessive risk-taking include:

- The HR Committee retains negative discretion in determining compensation payouts, such that meaningful reductions in compensation are possible to adjust for the quality of our financial results and other factors that the HR Committee deems relevant;
- Our executive compensation clawback policy helps ensure that our executives are not inappropriately rewarded in the event that we are required to restate our financial results or in the event of executive misconduct that is detrimental to the Company;
- Equity Ownership Guidelines are designed to ensure that the long-term interests of our executives are aligned with those of our shareholders;
- The Chair of the HR Committee regularly attends our Risk & Capital Committee meetings and has the opportunity to review the outcomes of Compensation Risk Assessment presented by the CR&SO;
- The HR Committee also receives a summary of the Compensation Risk Assessment work as part of its review of proposed changes to the compensation programs; and
- The HR Committee retains an independent consultant, apart from any consultant retained by management.

The independent consultant reviewed the findings of the Compensation Risk Assessment and found them to be both comprehensive and appropriate to the risk exposures and concurred with the conclusions.

Compensation Consultant

During 2021, the HR Committee continued to engage FW Cook as its independent compensation consultant to assist in the evaluation of the Company's executive compensation program. The scope of FW Cook's engagement was to provide assistance with: (i) conducting a review of our compensation peer group, (ii) conducting competitive reviews of executive and non-employee director compensation, (iii) conducting competitive reviews of incentive design and performance measurement, (iv) conducting pay-for-performance modeling, (v) conducting an analysis of aggregate long-term incentive grant practices, and (vi) updating the HR Committee on executive compensation trends and regulatory and governance developments. FW Cook performed these services solely on behalf of the HR Committee. The HR Committee has assessed the independence of FW Cook, as required by the Company's governance framework and NYSE and SEC rules, and has concluded that no conflict of interest exists with respect to its services to the HR Committee.

Human Resources Committee Interlocks and Insider Participation

With respect to interlocks and insider participation involving a member of the HR Committee during the 2021 fiscal year:

- None of the HR Committee members were an officer or employee of the Company or its subsidiaries.
- None of the HR Committee members had any relationship with the Company pursuant to which disclosure would be required under applicable rules of the SEC pertaining to the disclosure of transactions with related persons.
- None of the executive officers of the Company served on the board of directors or compensation committee of any other entity that has or had one or more executive officers who served as a member of the Board or the HR Committee.

Human Resources Committee Report

The HR Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on their review and discussions, the HR Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement for the 2022 Annual General Meeting and the Company's annual report on Form 10-K/A for the year ended December 31, 2021.

HR COMMITTEE
Dymphna A. Lehane (Chair)
Bernard C. Bailey
Samuel G. Liss

This HR Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates the HR Committee Report by reference therein.

Executive Compensation

2021 Summary Compensation Table

The following table contains compensation information for our NEOs for the fiscal year ended December 31, 2021 and, to the extent required under the SEC executive compensation disclosure rules, the fiscal years ended December 31, 2020 and December 31, 2019.

Name & Principal Position	Year	Salary ($) (1)	Bonus ($) (2)	Stock Awards ($) (3)	Non-Equity Incentive Plan Comp ($) (4)	All Other Compensation ($) (5)	Total ($)
Kevin J Rehnberg President and CEO	2021	$ 975,000	$ —	$ 1,999,945	$ 1,007,906	$ 65,979	$ 4,048,830
	2020	993,750	—	2,499,980	365,625	67,735	3,927,090
	2019	785,137	—	999,951	283,815	48,580	2,117,483
Scott Kirk (6) Chief Financial Officer	2021	561,423	315,043	1,407,177	521,082	26,289	2,831,014
Andrew M Borst (7) Interim President of International Operations	2021	498,462	—	499,959	479,763	35,261	1,513,445
Susan B. Comparato (7) Chief Administrative Officer	2021	419,231	—	199,928	285,068	30,021	934,248
Allison D. Kiene General Counsel and Secretary	2021	500,000	160,000	349,999	310,125	36,624	1,356,748
	2020	119,231	—	—	112,500	7,466	239,197
Former Executive Officers							
Jay S. Bullock (6) Executive Vice President and Chief Financial Officer	2021	156,923	—	—	—	1,488,738	1,645,661
	2020	611,538	—	599,991	210,000	43,228	1,464,757
	2019	570,205	—	419,997	—	36,049	1,026,251
Timothy D. Carter (7) Chief Underwriting Office	2021	313,462	—	499,959	251,499	405,244	1,470,164
	2020	485,577	—	499,977	143,238	34,068	1,162,860
Matthew J. Harris (7) Group Heard of International Operations	2021	325,336	—	298,606	—	313,583	937,525
	2020	545,960	—	293,066	122,841	73,556	1,035,423
	2019	527,384	—	302,777	—	126,501	956,662

(1) Messrs. Kirk and Harris were paid in British Pounds. Their salaries were converted into U.S. dollars for purposes of this table using a December 31, 2021 exchange rate of 1.3498 US$/GBP. For Mr. Rehnberg, this table includes an extra week of pay in 2020 due to an additional pay cycle in the U.S. attributable to the 2020 calendar.

(2) Mr. Kirk received a cash sign-on bonus of USD $315,043 upon hire, paid in GBP and converted into U.S. dollars for purposes of this table using a December 31, 2021 exchange rate of 1.3498 US$/GBP. Ms. Kiene received a cash sign-on bonus of $160,000 in consideration of compensation forfeited from her prior employer. Sign-on bonuses to Mr. Kirk and Ms. Kiene are subject to clawback if they voluntarily leave the Company within 24 months of receipt of such payment.

(3) Represents the grant date fair value of all LTI equity awards granted in 2021. For Mr. Kirk the total includes his sign-on equity grant of 3,650 shares of restricted stock granted at the time of his hire, and his one-time retention grant of 8,629 shares of restricted stock made in December 2021. The calculation of grant date fair value for the annual performance awards assumes target level performance against the specified financial goals set forth in the award and is calculated in accordance with FASB ASC Topic 718. The receipt of annual performance awards is conditioned upon the achievement of financial performance goals during the applicable performance period, as discussed in the Long-Term Incentive Awards section that begins on page 23. Assuming the highest level of performance is achieved for the 2021 LTI awards, the maximum grant date fair value of the 2021 performance-based LTI awards would be as follows: Mr. Rehnberg - $2,249,951; Mr. Kirk - $795,606; Mr. Borst - $562,474; Ms. Comparato - $224,913; Ms. Kiene $393,721; Mr. Carter - $562,474; and Mr. Harris - $335,972. Mr. Bullock was not eligible to participate in the Company's 2021 LTI award, and Messrs. Harris and Carter forfeited their 2021 LTI awards as a result of their respective departure from the Company. Mr. Borst forfeited his LTI on April 1, 2022 in connection with his resignation from the Company.

(4) Non-Equity Incentive Plan Compensation consists of cash awards made under the Company's AIP. Please refer to the Annual Incentive Awards section on page 21 for a discussion of the decisions made related to these awards. The amounts for Mr. Borst and Ms. Comparato also include vested long-term incentive cash awards of $66,263 and $24,563, respectively, that were granted to them prior to becoming NEOs and that vested and were paid in 2021. Mr. Bullock was not eligible to participate in the Company's AIP, and Mr. Harris forfeited his 2021 AIP awards as a result of his departure from the Company. Mr. Carter received a prorated 2021 AIP payment in accordance with the terms of his separation under the ESP.

(5) Please see the All Other Compensation Table below and related tables and footnotes for information regarding the amounts reported in this column.

(6) Mr. Kirk joined the Company on February 8, 2021, and succeeded Mr. Bullock as Chief Financial Officer on March 16, 2021. Mr. Bullock remained employed in an advisory capacity through March 31, 2021.

(7) On August 6, 2021, Mr. Harris resigned as Group Head of International Operations of the Company, and on August 11, 2021 Mr. Carter's employment as Chief Underwriting Officer with the Company was terminated without cause. On August 12, 2021, the Company appointed Mr. Borst as Interim President of International Operations and Ms. Comparato as Chief Administrative Officer, replacing Mr. Borst's previous role.

2021 All Other Compensation Table

Name	401(k) and Retirement Contributions	Imputed Value of Company Provided Insurance Coverage (1)	Supplemental Executive Retirement Plan Benefits	Separation Benefits (2)	Perquisites (3)	Total
Kevin J Rehnberg	$ 17,400	$ 8,329	$ 40,250	$ —	$ —	$ 65,979
Scott Kirk (4)	16,254	—	—	—	10,035	26,289
Andrew M. Borst	17,400	4,687	—	—	13,174	35,261
Susan B. Comparato	5,208	4,948	19,865	—	—	30,021
Allison D. Kiene	12,554	7,724	16,346	—	—	36,624
Former Executive Officers						
Jay S. Bullock	3,877	1,012	5,538	1,478,311	—	1,488,738
Timothy D. Carter	8,669	5,300	9,962	381,313	—	405,244
Mathew J. Harris (4)	43,623	—	—	269,960	—	313,583

(1) Imputed Value of Company Provided Insurance Coverage includes the following: term life insurance coverage which is provided to all employees, and umbrella insurance and executive long-term disability coverage provided to all senior executives.

(2) These amounts represent cash payments made to Messrs. Bullock, Carter, and Harris pursuant to the applicable terms of their respective separations, as described in Employment Arrangements with Named Executive Officers and Potential Payments upon Termination or a Termination Following a Change in Control sections on pages 25 and 36, respectively. For Mr. Bullock, separation payments include $758,333 cash severance, $700,000 incentive payment, $5,000 in attorney fees and $14,978 in medical coverage that were paid in 2021 in accordance with the terms of his 2019 employment agreement.

(3) Amounts for Mr. Kirk represents attorneys' fees paid in relation to his immigration process. Amounts for Mr. Borst represent fees relating to tax assistance paid in 2021 in connection with his interim assignment in the UK.

(4) Values converted into U.S. dollars for purposes of the foregoing table using a December 31, 2021 exchange rate of 1.3498 US$/GBP.

2021 Grants of Plan-Based Awards

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Possible Payouts Under Equity Incentive Plan Awards (2)				
Name	**Committee Approval Date**	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)(3)**	**Grant Date Fair Value of Stock Awards ($)(4)**
Kevin J Rehnberg	2/11/2021		$ 243,750	$ 1,218,750	$ 2,437,500					
	2/11/2021	3/15/2021				13,688	27,377	41,065		$1,499,986
	2/11/2021	3/15/2021							9,125	499,959
Scott Kirk	2/11/2021		126,017	630,087	1,260,174					
	2/11/2021	3/15/2021				4,840	9,681	14,521		530,422
	2/11/2021	3/15/2021							3,227	176,807
	2/11/2021	3/15/2021							3,650(5)	199,984
	12/23/2021	12/28/2021							8,629(6)	499,964
Andrew M. Borst	2/11/2021		100,000	500,000	1,000,000					
	2/11/2021					3,422	6,844	10,266		374,983
	2/11/2021								2,281	124,976
Susan B. Comparato	2/11/2021	3/15/2021	63,000	315,000	630,000					
	2/11/2021	3/15/2021				1,368	2,737	4,105		149,960
	2/11/2021	3/15/2021							912	49,968
Allison D. Kiene	2/11/2021		75,000	375,000	750,000					
	2/11/2021	3/15/2021				2,395	4,791	7,186		262,499
	2/11/2021	3/15/2021							1,597	87,500
Former Executive Officers										
Jay S. Bullock (7)			—	—	—	—	—	—	—	—
Timothy D. Carter	2/11/2021		100,000	500,000	1,000,000					—
	2/11/2021	3/15/2021				3,422	6,844	10,266		374,983
	2/11/2021	3/15/2021							2,281	124,976
Matt Harris	2/11/2021		80,988	404,940	809,880	—	—	—	—	—
	2/11/2021	3/15/2021				2,044	4,088	6,132		223,982
	2/11/2021	3/15/2021							1,362	74,624

(1) These amounts represent threshold, target and maximum cash award levels set in 2021 under the AIP.

(2) These amounts represent the threshold, target and maximum shares of performance-based restricted stock granted under the Company 2019 Omnibus Incentive Plan. For actively employed executives, shares of performance-based restricted stock are earned at the end of a three-year performance period, subject to the achievement of certain pre-established goals relating to TBVPS and ROE and the executive's continued service through the applicable vesting date.

(3) Represents the restricted stock awards granted under the Company's 2019 Omnibus Incentive Plan as a component of the annual LTI awards, which vest in four equal installments beginning on the first anniversary of the date of the grant, subject to the executive's continued employment through the applicable vesting date.

(4) The amounts in this column represent the aggregate grant date fair value of equity awards granted to our NEOs during the fiscal year ended December 31, 2021. The Grant Date Fair Value in this column was calculated in accordance with FASB ASC Topic 718, with performance-based restricted stock awards valued based on the probable outcome of such criteria.

(5) Represents Mr. Kirk's sign-on grant of restricted shares that vests in four equal installments beginning on the first anniversary of the date of the grant, subject to the executive's continued employment through the applicable vesting date.

(6) Represents Mr. Kirk's one-time retention grant restricted shares that vest in three equal installments beginning on the first anniversary of the date of the grant, subject to the executive's continued employment through the applicable vesting date.

(7) Pursuant to the Bullock Separation Agreement, Mr. Bullock was not eligible to participate in the Company's 2021 AIP or LTI Plan.

Outstanding Equity Awards at 2021 Fiscal Year-End

Our NEOs did not have any stock options outstanding as at December 31, 2021, and therefore the "Option Awards" column has been omitted from the table below. In addition, in connection with their departures, Messrs. Carter and Harris forfeited their outstanding equity awards with the Company.

	Stock Awards			
Name	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock that Have Not Vested ($)[1]**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]**
Kevin J Rehnberg	1,004[2]	$ 58,342		
	3,663[3]	212,857	—	$ —
	14,373[4]	835,215	57,498[5]	3,341,209
	9,125[6]	530,254	27,377[7]	1,590,877
Scott Kirk	3,277[6]	187,521	9,681[7]	562,563
	3,650[8]	212,102		
	8,629[9]	501,431		
Andrew M. Borst	934[2]	54,275	—	—
	1,533[3]	89,083	—	—
	4,812[4]	279,625	—	—
	2,281[6]	132,549	6,844[7]	397,705
Susan B. Comparato	1,080[3]	62,759	—	—
	3,389[4]	196,935	—	—
	912[6]	52,996	2,737[7]	159,047
Allison D. Kiene	1,597[6]	92,802	4,791[7]	278,405
Former Executive Officers				
Jay S. Bullock [10]	568[2]	33,006		
	932[3]	54,159	—	—
	2,091[4]	121,508	13,800[5]	801,918

(1) The stock price used to calculate the value of equity awards was $58.11, the price at which the Company's common stock closed on December 31, 2021.

(2) This award was granted on March 27, 2018 and vests in four annual installments on the anniversary of the grant date, subject to the executive's continued employment through such date.

(3) This award was granted on March 15, 2019 and vests in four annual installments on the anniversary of the grant date, subject to the executive's continued employment through such date.

(4) This award was granted on March 16, 2020 and vests in four annual installments on the anniversary of the grant date, subject to the executive's continued employment through such date.

(5) This award was granted on March 16, 2020 and vests at the end of the three-year performance period based on the achievement of performance goals relating to TBVPS and ROE and the executive's continued employment through the applicable vesting date. The amount reported is based on achievement of target performance goals.

(6) This award was granted on March 15, 2021 and vests in four annual installments on the anniversary of the grant date, subject to the executive's continued employment through such date.

(7) This award was granted on March 15, 2021 and vests at the end of the three-year performance period based on the achievement of performance goals relating to TBVPS and ROE and the executive's continued employment through the applicable vesting date. The amount reported is based on achievement of target performance goals.

(8) This award was granted on March 15, 2021 and vests in four annual installments on the anniversary of the grant date, subject to the executive's continued employment through such date.

(9) This award was granted on December 28, 2021 and vests in four annual installments on the anniversary of the grant date, subject to the executive's continued employment through such date.

(10) Pursuant to the Bullock Separation Agreement, Mr. Bullock was not eligible to participate in the Company's 2021 LTI awards, but was entitled to continued vesting of his 2018, 2019 and 2020 LTI awards.

2021 Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Kevin J. Rehnberg	—	$ —	9,615	$ 511,736
Scott Kirk	—	—	—	—
Andrew M. Borst	—	—	4,035	213,308
Susan B. Comparato	—	—	1,669	91,230
Allison D. Kiene	—	—	—	—
Former Executive Officers				
Jay S. Bullock	66,233	1,160,124	4,620	240,167
Timothy D. Carter	—	—	3,833	209,282
Matthew J. Harris	—	—	1,914	101,569

2021 Non-Qualified Deferred Compensation

Name	Executive Contributions in Last Fiscal Year ($)	Contributions in Last Fiscal Year ($)[1]	Aggregate Earnings in Last Fiscal Year ($)[1]	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)[2]
Kevin J. Rehnberg	$ 22,500	$ 40,250	$ 20,673	$ —	$ 391,032
Andrew M. Borst[3]	—	—	1,664	—	12,779
Susan B. Comparato	18,654	19,865	10,737	—	136,953
Allison D. Kiene	14,423	16,346	2,011	—	44,884
Former Executive Officers					
Jay S. Bullock	5,538	5,538	117,417	832,126	—
Timothy D. Carter	9,904	9,962	15,193	—	82,680

(1) All of the Company's contributions in the last fiscal year are included in the 2021 Summary Compensation Table. None of the aggregate earnings in the last fiscal year are included in the 2021 Summary Compensation Table.

(2) The amounts included in the Summary Compensation Table for this year and all prior years were: $280,751 for Mr. Rehnberg, $23,422 for Ms. Kiene, $514,139 for Mr. Bullock and $42,801 for Mr. Carter.

(3) Mr. Borst did not participate in the Non-Qualified Deferred Compensation program in 2021. Our non-U.S.-based NEOs, Messrs. Kirk and Harris were not eligible to participate in the Non-Qualified Deferred Compensation program.

Under the Company's 401(k) Plan, a defined contribution plan, the contribution made by the Company on behalf of eligible U.S. employees is equal to the sum of:

a. 100% of the first 5% of eligible pay that the employee contributes per pay period to the plan; and

b. 1% of the employee's eligible pay.

During 2021, the Internal Revenue Code limited the maximum amount of compensation used to calculate benefits under a defined contribution plan to $290,000 and the maximum dollar amount of the 401(k) contribution that could be made to $19,500 plus an additional $6,500 for employees over the age of 50. The Company's Supplemental Executive Retirement Plan ("SERP") provides retirement benefits to its U.S. employees which would be payable under the 401(k) Plan but for the limits imposed by the Internal Revenue Code. The investment return on an individual's SERP balance is calculated as though the funds in the account were invested, as directed by the individual, from among substantially the same funds available under the Company's 401(k) Plan.

During 2021, the Company credited the account maintained for each participating U.S. NEO for the following.

a. The difference between the Company matching contribution which would have been made to the individual's account under the Company's 401(k) Plan based upon the individual's 401(k) election had his or her contributions under that plan not been limited by reason of the Code and the amount that was actually credited to the individual's account under the Company's 401(k) Plan;

b. A supplemental Company contribution equal to 1% of the excess of the NEO's eligible compensation for the 2021 fiscal year less the maximum amount of compensation permitted to be taken into account under the Code; and

c. Investment income calculated as though the funds in the account were invested, as designated by the individual, from substantially the same funds that are available under the Company's 401(k) Plan.

In addition, executives under the age of 50 who elect to contribute more than the $19,500 allowed under the Code and executives 50 years old or older who elect to contribute more than the $26,000 allowed under the Code can contribute up to 5% of the pay earned after the limit is reached to the SERP. Executives may elect to receive payments in lump sum or in annual cash installments between one and 10 years. Distributions may occur, in accordance with the executive's election, as follows: (i) seventh month following separation from the Company, (ii) on a specified date, or (iii) upon the earlier of either (i) or (ii) or within 90 days following a change of control, as defined in the SERP. In the event of death, the executive's account shall be distributed to the executive's beneficiary in a single lump sum payment within 90 days following the executive's death.

Potential Payments upon Termination by the Company or a Termination Following a Change in Control

We have entered into an employment agreement with certain of our NEOs. Please refer to the Employment Arrangements with Named Executive Officers section on page 25 for a general discussion of the terms and conditions of these employment agreements. The employment agreements for some of our NEOs provide for certain severance benefits upon the occurrence of certain events as described further below. In addition, as described further below, certain of our NEOs have been designated to participate in our ESP, that became effective January 1, 2021, which provides certain severance benefits and payments. Please refer to "2021 Non-Qualified Deferred Compensation" section above for discussion on the distributions pursuant to our SERP.

Mr. Rehnberg

Under the terms of Mr. Rehnberg's Executive Employment Agreement, if Mr. Rehnberg's employment is terminated by the Company without "cause" (as that term is defined in his Executive Employment Agreement), or, by Mr. Rehnberg within two years following a "change in control" (as that term is defined in the Company's 2019 Omnibus Incentive Plan or any successor Omnibus Incentive Plan), for "good reason" (as that term is defined in his Executive Employment Agreement), Mr. Rehnberg will be entitled to the following severance benefits: (i) accrued benefits (as defined in the Executive Employment Agreement) and any earned but unpaid annual cash incentive award for the year preceding the year of termination, (ii) an amount equal to one times (or, if a change in control has occurred or is reasonably expected to occur, two times) the sum of (A) his base salary and (B) his target annual cash incentive award for the year of termination (or, if a target annual cash incentive award has not yet been established for such year, his target annual cash incentive award for the year prior to the year of termination), such amounts to be paid in installments over a period of 12 months, (iii) any target annual cash incentive award for the year of termination, pro-rated to reflect his time of service for such year through his date of termination, (iv) continuation of health benefits at the active employee rate until Mr. Rehnberg obtains reasonably equivalent coverage or for eighteen months from the date of termination, whichever is earlier; provided that Mr. Rehnberg timely elects benefit continuation coverage under COBRA, and (v) continued vesting of all unvested equity awards, to be paid or settled in accordance with the terms of the applicable award agreements as if no termination had occurred and Mr. Rehnberg had remained employed by the Company through the applicable vesting date, with the vesting of any outstanding performance-based equity awards to be determined based on actual performance through the end of the applicable performance period. All outstanding, unvested stock options will remain exercisable for a period of 90 days following the last vesting date of the stock option, but not beyond the original term of the stock option. In the event of Mr. Rehnberg's involuntary termination of employment by the Company without cause or by Mr. Rehnberg for good reason, in each case within two years following a Change in Control, all outstanding unvested equity awards will immediately vest upon the date of such termination of employment.

All severance payments and benefits are conditioned upon Mr. Rehnberg's execution and non-revocation within 60 days following his termination date of a full and complete release of claims in favor of the Company and its subsidiaries and affiliates, and his compliance with the confidential information obligations and restrictive covenants to which he is bound under his Executive Employment Agreement.

In the event Mr. Rehnberg's employment is terminated due to his death or "disability" (as that term is defined in his Executive Employment Agreement), Mr. Rehnberg (or his estate in the case of his death) will be entitled to: (i) accrued benefits, (ii) any incentive bonus that is "fully-earned" (as that term is defined in his Executive Employment Agreement) through date of his termination of employment, and (iii) continued participation for 18 months by Mr. Rehnberg or, in the case of his death, his eligible dependents in all health and medical plans or programs in which Mr. Rehnberg or such eligible dependents, as applicable, were participating on his termination date, with the Company continuing to pay the same portion of the premiums for such coverage as it paid for Mr. Rehnberg or his eligible dependents immediately prior to his termination date. In the event Mr. Rehnberg's employment is terminated by the Company for Cause, Mr. Rehnberg will only be entitled to his accrued benefits, and will not be entitled to any other benefits, unless otherwise required by applicable law.

If any portion of the payments and benefits that Mr. Rehnberg is entitled to receive under the Executive Employment Agreement upon a termination of employment, either alone or together with other payments and benefits that he is entitled to receive from the Company or its affiliates, would be subject to the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended, then such payments and benefits will be reduced such that no portion of such payments and benefits will be subject to the excise tax under Section 4999, but only to the extent doing so would not reduce Mr. Rehnberg's aggregate (after tax) payments and benefits.

Mr. Rehnberg's Executive Employment Agreement contains certain non-disclosure, intellectual property and non-disparagement covenants and prohibits Mr. Rehnberg from competing with the Company or its affiliates, or soliciting their respective customers or employees during his employment and for the 12-month period following his termination of employment.

Mr. Bullock

As noted above, in March 2021, Mr. Bullock entered into a Bullock Separation Agreement specifying the terms of his separation. Upon execution and non-revocation of the Bullock Separation Agreement, and pursuant to the circumstances of his departure, Mr. Bullock became entitled to the severance benefits for a termination without cause under his 2019 employment agreement as follows: (i) one times the sum of (A) his base salary and (B) his target annual cash incentive award for the year prior to the year of termination ($1,300,000), payable in installments over 12-months; (ii) a cash incentive payment equal to his target annual incentive at time of termination ($700,000); (iii) continuation of health benefits at the active rate of executives for up to 18 months ($29,157 estimated value); and (iv) continued vesting of all unvested equity awards ($1,203,755, based on the March 2021 stock price, the date of his separation and assuming target performance). In addition, Mr. Bullock received $5,000 in attorneys' fees incurred in connection with the negotiation of the Bullock Separation Agreement. The Bullock Separation Agreement also provides that Mr. Bullock will remain subject to the restrictive covenants set forth in his employment agreement.

Mr. Harris

Mr. Harris' Employment Contract provided that his employment would continue for an indefinite term unless and until terminated by either the Company or Mr. Harris upon six-months' notice of termination of employment. On August 6, 2021, Mr. Harris resigned from the Company and the Board of Directors agreed to waive the contractual notice period under his Employment Contract and make the resignation effective immediately. In connection with Mr. Harris's resignation, Mr. Harris and the Company entered into a Harris Separation Agreement, whereby Mr. Harris received $269,960 equal to the six months' pay that he would have been eligible to receive during his notice period pursuant to his Employment Contract in a lump sum payment, less applicable deductions and withholdings.

Executive Severance Plan

All of our current NEOs, with the exception of Mr. Rehnberg who has a separate employment agreement, are eligible to participate in the ESP. Under the ESP, participants are entitled to certain severance benefits if their employment is terminated by the Company and its affiliates other than for "cause" (as that term is defined in the ESP). If the Company terminates a participant's employment without cause, subject to his or her timely execution and non-revocation of a release of claims and continued compliance with restrictive covenants (including confidentiality, non-disparagement, non-competition, and non-solicitation covenants), he or she will receive the following severance benefits: (i) an amount equal to 0.75 times (or, if the termination occurs within 24 months following a "change in control" (as that term is defined in the ESP), 1.00 times) the participant's base salary in effect as of the date of the termination, to be paid within 60 days of such termination; (ii) if the termination occurs after the end of the first quarter of the calendar year, an amount equal to the participant's annual cash incentive payment for the year of termination, based on actual performance, prorated based on the number of days participant remained an employee, to be paid on the later of (x) the date the annual cash incentive payment is paid to participants generally and (y) 60 days following such termination; (iii) any accrued, but unpaid as of the date of the termination, annual cash incentive payment for any completed performance period ending prior to the date of such termination, to be paid on the later of (x) the date the annual cash incentive payment is paid to participants generally and (y) 60 days following such termination; and (iv) if the participant timely elects COBRA continuation coverage, payment by the Company or its subsidiaries equal to the difference between the cost of such COBRA continuation coverage and the amount active employees pay for health coverage through the earlier of the end of the nine-month period (or, if the termination occurs within 24 months following a change in control, twelve-month period) following the termination and the participant becoming eligible for health insurance coverage under another employer's plan. In the event a participant holds any equity or cash awards granted under the Company's 2019 Omnibus Incentive Plan, the treatment of such equity and cash awards in the event of a termination without cause will continue to be governed by the terms of such plan and any applicable award agreements.

If any payments and benefits to be paid or provided to a participant, whether pursuant to the terms of the ESP or otherwise, would be subject to "golden parachute" excise taxes under the Internal Revenue Code of 1986, as amended, the payments and benefits will be reduced to the extent necessary to avoid such excise taxes, but only if such a reduction of pay or benefits would result in a greater after-tax benefit to the eligible employee.

On August 11, 2021, as part of the Company's efforts to continue to streamline management and reduce expenses, Mr. Carter's employment with the Company was terminated without cause. Pursuant to his Separation Agreement and General Release, Mr. Carter received the following severance benefits under the ESP: (i) an amount equal to 0.75 times his base salary ($375,000); and (ii) an amount equal to the annual cash incentive payment for the year of termination, based on actual performance, prorated based on the number of days he remained an employee ($252,632), paid on the date the annual cash incentive payment was paid to participants generally. Mr. Carter also receives an amount equal to the difference between the cost of his COBRA continuation coverage and the amount active employees pay for health coverage through the earlier of the end of the nine-month period following the date of termination and Mr. Carter becoming eligible for health insurance coverage under another employer's plan ($14,587 assuming nine months of COBRA coverage, of which $6,313 was paid in 2021).

Equity and Cash Awards

In addition to the foregoing employment arrangements, the Company's 2019 Omnibus Incentive Plan, which was approved by our shareholders in 2019, gives the HR Committee the discretion, among other methods, to provide for the accelerated vesting of our NEOs' equity and cash grants by the Company upon the occurrence of termination of employment by the Company following a change in control (as defined in the plan). Further, the NEO equity and cash grant agreements provide for accelerated vesting upon termination of employment due to death or disability. Other than in the case of a good reason termination following a change in control in the case of Mr. Rehnberg or a termination of employment due to death or disability for all NEOs, if an NEO voluntarily terminates his or her employment with the Company or is terminated for cause, he or she forfeits all unvested equity and cash awards.

The amounts shown in the table below are calculated based on the assumption that a termination or change of control occurred on December 31, 2021 with the severance benefits then in effect as of that date. The values shown are calculated using the Company's closing stock price on that date. The actual amounts that would be paid out if such a termination were to occur can only be determined at the time of such executive officer's actual termination and would be subject to the achievement of financial and individual performance goals and thresholds and their current salaries and benefits at such time. As noted above, Mr. Rehnberg's termination benefits are governed by his Executive Employment Agreement, while the other NEOs are covered under the terms of the ESP.

Name	Benefit	Death or Disability	Termination Without Cause	Termination Without Cause/Resignation for Good Reason with a CIC
Kevin J. Rehnberg	Cash Severance (1)	$ —	$ 2,193,759	$ 4,387,500
	Annual Incentive Award (2)	1,007,906	1,218,750	1,218,750
	Unvested Restricted Stock Awards (3)	7,707,420	6,568,754	7,707,420
	Health, Medical, Dental Benefits (4)	27,717	27,717	27,717
	Total	**8,743,043**	**10,008,980**	**13,341,387**
Scott Kirk	Cash Severance (1)	—	472,565	630,087
	Annual Incentive Award (2)	—	630,087	630,087
	Unvested Restricted Stock Awards (3)	1,463,617	—	1,463,617
	Health, Medical, Dental Benefits (4)	—	—	—
	Total	**1,463,617**	**1,102,652**	**2,723,791**
Andrew M. Borst	Cash Severance (1)	—	375,000	500,000
	Annual Incentive Award (2)	—	500,000	500,000
	Unvested Restricted Stock Awards (3)	1,061,861	—	1,061,861
	Health, Medical, Dental Benefits (4)	—	14,845	19,794
	Total	**1,061,861**	**889,845**	**2,081,655**
Susan B. Comparato	Cash Severance (1)	—	337,500	450,000
	Annual Incentive Award (2)	—	337,500	337,500
	Unvested Restricted Stock Awards (3)	533,142	—	533,142
	Health, Medical, Dental Benefits (4)	—	14,678	19,438
	Total	**533,142**	**689,678**	**1,340,080**
Allison D. Kiene	Cash Severance (1)	—	375,000	500,000
	Annual Incentive Award (2)	—	375,000	375,000
	Unvested Restricted Stock Awards (3)	371,207	—	371,207
	Health, Medical, Dental Benefits (4)	—	4,442	5,922
	Total	**371,207**	**754,442**	**1,252,129**

(1) Mr. Rehnberg is entitled to severance benefits in the event of termination by the Company without cause or by Mr. Rehnberg for good reason within two years following a change of control, while the Company's other NEOs are eligible for severance benefits only in the event of termination by the Company without cause. For Mr. Rehnberg, cash severance is equal to one times base salary plus target bonus in the event of termination without cause, or two times base salary plus target bonus in the event of a termination by Mr. Rehnberg for good reason within two years following a change in control of the Company. For all others, cash severance is equal to nine months' salary in the event of termination by the Company without cause or one times base salary in the event of termination by the Company without cause within 24 months following a change in control of the Company.

(2) In the case of Mr. Rehnberg, amounts represent earned annual incentive award for death and disability and target annual incentive for termination without cause and termination by Mr. Rehnberg for good reason within two years following a change of control. For all others, the annual incentive award is calculated assuming target performance pursuant to the terms of the ESP.

(3) Amounts represent the intrinsic pre-tax value of each NEO's unvested restricted stock awards using the closing market price of the Company's Common Shares on December 31, 2021 of $58.11 that would continue to vest upon termination of employment in accordance with terms of Mr. Rehnberg's employment agreement or that would accelerate and vest upon termination of employment due to death or disability or that may accelerate and vest upon termination of employment in connection with a change in control of the Company. Amounts for Mr. Borst and Ms. Comparato also represent unvested long-term incentive cash awards in the amount of $104,624 and $61,405, respectively, which vest immediately upon termination without cause within 12 months following a change of control and upon termination due to death or disability.

(4) Amounts represent continued participation in the Company's health and medical plans on the same terms and conditions available to active employees of the Company for nine months in case of termination without cause, or 12 months in case of termination without cause following a change in control of the Company, based on the rates in effect for coverage as of December 31, 2021. In the case of Mr. Rehnberg, amounts represent continued participation in the Company's health and medical plans for 18 months following termination.

CEO Pay Ratio

We are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of our CEO:

For 2021, our last completed fiscal year:

- the median of the annual total compensation of all employees of our Company (other than our CEO) was $106,192; and

- the annual total compensation of our CEO was $4,048,830.

Based on this information for fiscal year 2021, we reasonably estimate that the ratio of our CEO's annual total compensation to the annual total compensation of our median employee was 38:1. Our pay ratio estimate has been calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions summarized below. Given the leverage of our executive compensation program towards performance-based elements, we expect that our pay ratio disclosure will fluctuate year-to-year based on the Company's performance. In the case of 2021, our pay ratio decreased as compared to the 2020 pay ratio as a result of higher compensation to our median employee than last year.

The total compensation of the median employee, including any perquisites and other benefits, is determined in the same manner that we determine the total compensation of our NEOs for purposes of the 2021 Summary Compensation Table disclosed above. For 2021, the total compensation of our median employee was $106,192. This total compensation amount for our median employee was then compared to the 2021 total compensation of our CEO as reported in the 2021 Summary Compensation Table to determine the pay ratio.

Given the different methodologies that various public companies will use to determine their pay ratio, the pay ratio disclosed above should not be used as a basis for comparison between or among companies.

To identify our median employee, we first determined our employee population as of December 31, 2021 (the "Determination Date"). We had 1,295 employees, representing all full-time, part-time, seasonal and temporary employees as of the Determination Date. This number does not include any independent contractors or "leased" workers, as permitted by the applicable SEC rules. We then measured the employee population's total target cash compensation for the period beginning on January 1, 2021 and ending on December 31, 2021. This compensation measurement was calculated by totaling, for each employee, his or her base salary and target annual cash incentive award for 2021. We annualized compensation for any employees who were employed for less than the full fiscal year, but we did not annualize the compensation for employees in temporary or seasonal positions.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Equity Based Compensation Plans

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 our management team and the Board. The 2019 Plan authorizes 1,885,000 shares of common stock to be granted as equity-based awards. No further grants will be made under any prior plan; however, any awards under a prior plan that are outstanding as of the effective date shall remain subject to the terms and conditions of, and be governed by, such prior plan. Any awards issued under the 2019 Plan or any prior plan that are unexercised or unvested which expire, terminate, cash-settle, or are canceled, the number of shares underlying such awards will again be available for issuance under the 2019 Plan.

The following table sets forth information as of December 31, 2021 concerning our equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding, Options, Warrants and Rights	Weighted-Average Per Share Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by shareholders:			
Argo Group International Holdings, Ltd. 2019 Omnibus Incentive Plan	482,543	$ —	1,477,601
Argo Group International Holdings, Ltd. Employee Share Purchase Plan	—	—	401,102
Equity compensation plans not approved by shareholders	—	—	—
Total	482,543	$ —	1,878,703

As of December 31, 2021, equity compensation awards issued consist predominately of non-vested share awards, which do not have an exercise price.

Under the terms of the 2019 Plan, only awards that are to be settled in shares are included in the totals above. Additional information relating to our equity compensation plans is included in Note 14, "Share-based Compensation" in the Notes to Consolidated Financial Statements in the Original Filing.

Security Ownership of Certain Beneficial Owners

The table below sets forth certain information regarding the beneficial ownership of our shareholders known to us to beneficially hold more than 5% of our Common Shares as of April 27, 2022. Unless otherwise noted in the footnotes following the table, the information for each shareholder is based solely on information reported on a Schedule 13G, Schedule 13D or Schedule 13F, as applicable, filed by such holder with the SEC, with percentages determined as of April 27, 2022.

	Common Shares	
Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned**	**Percent of Class**
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	3,209,367 (1)	9.18 %
Voce Capital Management LLC 600 Montgomery Street, Suite 4400 San Francisco, CA 94111	3,273,697 (2)	9.37 %
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	2,256,440 (3)	6.46 %
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, TX 78746	2,173,618 (4)	6.22 %
Champlain Investment Partners, LLC 180 Battery St. Burlington, Vermont 05401	2,167,260 (5)	6.20 %

(1) The Vanguard Group, Inc.'s Schedule 13G/A was filed with the SEC on February 9, 2022, and provides that The Vanguard Group, Inc. and certain subsidiaries have sole dispositive power over 3,151,694 Common Shares, shared dispositive power over 57,673 Common Shares, and shared voting power over 28,918 Common Shares.

(2) Voce Capital Management LLC filed a Schedule 13F with the SEC on February 14, 2022 and reported voting and investment power with respect to 3,273,697 Common Shares.

(3) The BlackRock, Inc. Schedule 13G/A was filed with the SEC on February 3, 2022, and provides that BlackRock, Inc. has sole voting power over 2,179,661 Common Shares and sole dispositive power with respect to 2,256,440 Common Shares.

(4) The Dimensional Fund Advisors LP Schedule 13G/A was filed with the SEC on February 8, 2022, and provides that Dimensional Fund Advisors has sole voting power with respect to 2,131,286 Common Shares and sole dispositive power with respect to 2,173,618 Common Shares. Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the "Funds"). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, "Dimensional") may possess voting and/or investment power over the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Company held by the Funds. However, all securities reported in the Schedule 13G/A are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

(5) The Champlain Investment Partners, LLC Schedule 13G was filed with the SEC on February 11, 2022, and provides that Champlain Investment Partners, LLC has sole voting power over 1,682,985 Common Shares and sole dispositive power with respect to 2,167,260 Common Shares.

Security Ownership of Management

The table below sets forth certain information regarding the beneficial ownership of the Common Shares as of April 27, 2022, unless otherwise indicated, of (i) each director or director nominee of the Company, (ii) each individual who has been identified as a NEO of the Company or its subsidiaries for fiscal year 2021, and (iii) all directors and individuals who have been identified as executive officers of the Company as a group:

Name of Beneficial Owner	Number of Common Shares Beneficially Owned[(1)(2)]	Percent of Class[(1)]
Directors		
Bernard C. Bailey	6,895	*
Thomas A. Bradley[(3)]	19,301	*
Fred R. Donner	5,220	*
Anthony P. Latham	5,687	*
Dymphna A. Lehane	7,921	*
Samuel G. Liss	13,092	*
Carol A. McFate	6,813	*
Al-Noor Ramji	7,921	*
Kevin J. Rehnberg[(3)]	44,452	*
Named Executive Officers		
Scott Kirk[(4)]	910	*
Jay S. Bullock[(4)]	58,818	*
Allison D. Kiene	1,118	*
Andrew M. Borst[(5)]	20,470	*
Susan B. Comparato[(5)]	2,984	*
Matthew J. Harris[(5)]	—	*
Timothy D. Carter[(5)]	4,704	*
Total (a)	206,306	*

(a) All directors and individuals identified as executive officers of the Company and its subsidiaries as a group – 16 persons

* Less than 1% of the outstanding Common Shares

(1) The information in this table is based on information supplied directly to the Company by executive officers and directors. Common Shares beneficially owned by a person include shares to which the person has the right to acquire beneficial ownership within 60 days of April 27, 2022. Unless otherwise indicated in the footnotes below, the persons and entities named in this table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

(2) For each of the directors other than Mr. Rehnberg, the reported number of Common Shares beneficially owned includes 1,665 of restricted shares that will vest within 60 days after April 27, 2022.

(3) Mr. Rehnberg is also a NEO. Since March 3, 2022, Mr. Bradley has assumed the role as Interim Chief Executive Officer.

(4) On July 2, 2020, the Company announced the anticipated departure of Mr. Bullock as Executive Vice President and Chief Financial Officer of the Company. Mr. Bullock continued to serve as Executive Vice President and Chief Financial Officer through March 15, 2021. On March 16, 2021, Mr. Kirk succeeded Mr. Bullock as the Company's Chief Financial Officer and Mr. Bullock remained employed in an advisory capacity through March 31, 2021.

(5) On August 6, 2021, Mr. Harris resigned as Group Head of International Operations of the Company, and on August 11, 2021 Mr. Carter's employment as Chief Underwriting Officer with the Company was terminated without cause. The Company appointed Mr. Borst as Interim President of International Operations and Ms. Comparato as Chief Administrative Officer, replacing Mr. Borst's previous role. Mr. Borst voluntarily resigned from the Company effective April 1, 2022.

Item 13. Certain Relationships and Related Transactions and Director Independence

Related Person Transactions

Policy for Evaluating Related Person Transactions

The Board has adopted a written policy relating to the Audit Committee's review and approval of transactions with related persons that are required to be disclosed by SEC regulations ("related person transactions"). A "related person" is defined under the applicable SEC regulation and includes our directors, executive officers and 5% or more beneficial owners of our Common Shares. Management administers procedures adopted by the Board with respect to related person transactions and the Audit Committee reviews and approves all such transactions. In determining whether or not to approve a related person transaction, the Audit Committee considers all relevant facts and circumstances, including the commercial reasonableness of the terms, the benefit to the Company, opportunity costs of alternate transactions, and the actual or apparent conflict of interest of the related person, among other factors. Approval of a related person transaction requires the vote of the majority of disinterested directors on the Audit Committee and the Audit Committee must determine that the transaction is in, or not inconsistent with, the best interest of the Company and its shareholders for a related person transaction to be approved. The Board annually reviews this policy. The written policy relating to the Audit Committee's review and approval of related person transactions is available on our website at *www.argolimited.com* under the "Investor" tab and then "Governance" tab.

Director Independence

The Board has determined that each of its directors, except for Kevin J. Rehnberg and Thomas A. Bradley, is "independent" in accordance with the applicable corporate governance requirements of the listing rules of the NYSE as currently in effect. Due to their current management positions with the Company, Mr. Rehnberg and Mr. Bradley, are not deemed independent. In addition, Kathleen A. Nealon and John H. Tonelli, who each retired from the Board immediately following the 2021 Annual General Meeting, were determined to be independent under the applicable NYSE listing rules as currently in effect.

The Board also determined that each member of the Audit Committee is "independent" and meets the other requirements for audit committee membership, including financial literacy, as defined by applicable NYSE listing rules and SEC rules for audit committee members. Each member of the HR Committee is "independent" in accordance with the applicable corporate governance requirements of the listing rules of NYSE as currently in effect. Each member of the HR Committee also qualifies as a "non-employee director" under Section 16 of the Securities Exchange Act of 1934.

Item 14. Principal Accounting Fees and Services

Fees Paid to Ernst & Young LLP ("Ernst & Young") by the Company in 2021 and 2020

The fees incurred in 2021 and 2020 for services provided by Ernst & Young to the Company were as follows:

Category	2021	2020
Audit Fees [(1)]	$ 6,584,295	$ 5,936,300
Audit-Related Fees [(2)]	53,700	156,200
Tax Fees [(3)]	822,905	964,932
All Other Fees [(4)]	7,200	7,200
Total	$ 7,468,100	$ 7,064,632

(1) "Audit Fees" include the aggregate fees incurred for professional services rendered by Ernst & Young for the review of the Company's quarterly reports for 2021 and 2020 and its fee for the audit of the Company's annual consolidated financial statements for the years ended December 31, 2021 and 2020. "Audit Fees" also include fees incurred for professional services related to other statutory and regulatory filings. The fees include Ernst & Young's estimate of unbilled fees related to services for 2021.

(2) "Audit-Related Fees" include fees incurred for assurance and related services that are reasonably related to the performance of the audit and not included in the "Audit Fees" described above. These services include audits of the employee benefits plans for 2021 and 2020.

(3) "Tax Fees" are fees incurred for Ernst & Young's tax services, which include tax planning, advice and assistance for the Company regarding statutory, regulatory or administrative developments and other international, federal, state and local issues and non-income tax minimization and planning.

(4) "All Other Fees" includes fees for services related to the purchase of online accounting research software for 2021 and 2020.

Audit Committee Pre-Approval Process

All services provided by Ernst & Young to the Company in 2021 and in 2020 were specifically pre-approved by the Audit Committee of the Company, as required under its charter. In 2021, the Audit Committee adopted an Audit Committee Pre-Approval Policy, which sets forth the procedures the Audit Committee follows to pre-approve services to be performed by the Company's independent auditor. Pursuant to such policy, the Audit Committee delegates to the Chair of the Audit Committee authority to grant specific pre-approval on a case-by-case basis, subject to certain dollar limit. The Chair of the Audit Committee is required to report any pre-approval decisions to the Audit Committee at or prior to its next scheduled meeting. The Audit Committee and the Chair of the Audit Committee may not delegate to management the Audit Committee's responsibilities to pre-approve services performed by the Company's independent auditor.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 3. Exhibits

The following exhibits are numbered in accordance with Item 601 of Regulation S-K and, except as noted, are filed herewith.

Exhibit Number	Description
31.1	Rule 13a—14(a)/15d – 14(a) Certification of Chief Executive Officer.
31.2	Rule 13a—14(a)/15d – 14(a) Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of 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.

By /s/ Thomas A. Bradley

Thomas A. Bradley

Interim Chief Executive Officer and Director

Date: April 29, 2022

Shareholder Information

Stock Listings

Argo Group International Holdings, Ltd. common stock trades on NYSE under the symbol ARGO, CUSIP: G0464B107.

Argo Group International Holdings, Ltd. preferred stock trades on NYSE under the symbol ARGOPrA, CUSIP: 040128209.

Stock Transfer Agent

Questions regarding stock registration, change of address, change of name, or transfer should be directed to:

American Stock Transfer & Trust Company LLC
6201 15th Ave. Brooklyn, NY 11219
amstock.com | 718-921-8124 | info@amstock.com

Corporate Office

Argo Group International Holdings, Ltd.
90 Pitts Bay Road Pembroke HM 08 Bermuda
T. 441-296-5858

Internet

argogroup.com

Shareholder Services / Investor Relations

Mailing address:

Argo Group International Holdings, Ltd.
Shareholder Services/Investor Relations
PO Box HM 1282, Hamilton HM FX, Bermuda
T. 441-296-5858

Investors Relations Contact

Andrew Hersom
Head of Investor Relations
860-970-5845 | andrew.hersom@argogroupus.com

A copy of the Company's annual report filed with the Securities and Exchange Commission (Form 10-K and Form 10-K/A) will be furnished without charge to any shareholder upon written request directed to our Head of Investor Relations at the Shareholder Services / Investor Relations address shown above.

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