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, 2019

or

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

For the transition period from ______ to ______

Commission file number: 1-15259

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

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

(441) 296-5858

(Registrant's telephone number, including area code)

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

Title of 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
Argo Group U.S., Inc. 6.500% Senior Notes due 2042 and the Guarantee with respects thereto	ARGD	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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 28, 2019, the aggregate market value of the common stock held by non-affiliates was approximately $2,436.5 million.

As of February 26, 2020, the Registrant had 34,501,906 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 2020 Annual General Meeting of Shareholders.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
Annual Report on Form 10-K
For the Year Ended December 31, 2019

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Forward Looking Statements

Certain statements in this document are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and are made pursuant to the safe harbor provisions of that act. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "potential," "continued," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of those words or other comparable words. The forward-looking statements are based on the current expectations of Argo Group International Holdings, Ltd. ("Argo Group," "we," "our," "us" or the "Company") and our beliefs concerning future developments and their potential effects on Argo Group. There can be no assurance that actual developments will be those anticipated by Argo Group. Actual results may differ materially as a result of significant risks and uncertainties including but not limited to:

- changes in the pricing environment including those due to the cyclical nature of the insurance and reinsurance industry;
- increased competition;
- the adequacy of our projected loss reserves including:
    - 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 and reinsurance contracts beyond that which was anticipated when the reserves were established;
    - development of new theories related to coverage which may increase liabilities under insurance and reinsurance 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 to regulatory and tax conditions and legislation;
- natural and/or man-made disasters, including terrorist acts;
- impact of global climate change;
- the inability to secure reinsurance;
- the inability to collect reinsurance recoverables;
- a downgrade in our financial strength ratings;
- changes in interest rates;
- changes in the financial markets that impact investment income and the fair market values of our investments;
- changes in asset valuations;
- failure to execute information technology strategies;
- exposure to information security breach;
- failure of outsourced service providers;
- failure to execute expense targets;
- inability to successfully execute mergers or acquisitions; and
- other risks detailed in this Form 10-K or that may be detailed in other filings with the Securities and Exchange Commission.

These risks and uncertainties are discussed in greater detail in Item 1A, "Risk Factors." We undertake no obligation to publicly update any forward-looking statements.

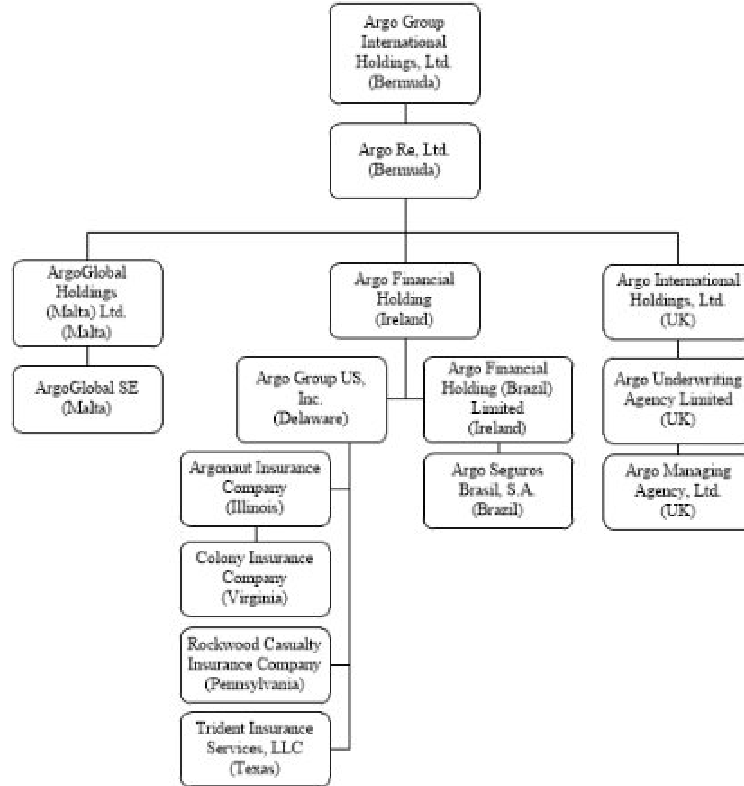
PART I

Item 1. Business

Business Overview

Argo Group is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. We target market niches where we can develop a leadership position and where we believe we will generate superior underwriting profits. Our growth has been achieved both organically – through an operating strategy focused on disciplined underwriting – and as a result of strategic acquisitions.

The following is a summary organizational chart of Argo Group:



Business Segments and Products

For the year ended December 31, 2019, 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 18, "Segment Information," in the Notes to the Consolidated Financial Statements.

U.S. Operations

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 market is unwilling or unable to underwrite, and through other specialized admitted and non-admitted business distributed through retail, wholesale, and managing general brokers/agents in the Specialty Insurance market. The standard insurance market's limited appetite for such coverage is often driven by the insured's unique risk characteristics, the perils involved, the nature of the business, and/or the insured's loss experience.

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 Lines businesses operate primarily through the Colony Specialty platform. While focused primarily on non-admitted business, Colony Specialty may also underwrite certain classes of business on an admitted basis.

Colony Specialty underwrites primary and excess casualty, property, and other coverage for hard-to-place risks and/or distressed businesses that typically fall outside of the standard insurance market's risk appetite. This business is underwritten through the following business units: Casualty (which includes Construction), Transportation, Property, Contract and Environmental. Through these units, Colony Specialty provides coverage to a broad group of commercial enterprises, including contractors, manufacturers, distributors, property owners, retailers, restaurants and environmental consultants.

Our other, primarily admitted business units target classes and industries with distinct risk profiles that can benefit from specially designed insurance coverage, tailored loss control and expert claims handling. Under this focus, U.S. Operations includes the following business units: Argo Pro, Argo Insurance, Rockwood Casualty Insurance Company ("Rockwood"), U.S. Specialty Programs, Inland Marine, Argo Surety and Trident Public Risk Solutions ("Trident").

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 wholesale and retail distribution partners. Argo Pro offers customized coverage on a primary and excess basis for risks on both an admitted and non-admitted basis, targeting commercial and select financial institution risks in the middle market and upper middle market segments. Our underwriting focus provides risk management solutions for accountants, architects and engineers, commercial crime, directors and officers, employment practices, fiduciary, lawyers, miscellaneous professionals, technology, privacy and security.

Argo Insurance

Argo Insurance offers insurance and risk management services to grocery, restaurants and other specialty retail industries. Using specific risk-control tools, Argo Insurance provides property, liability, workers compensation, automobile and umbrella coverage to accounts throughout the United States, primarily on a large deductible and self-insured retention basis.

Rockwood

Rockwood is primarily a specialty underwriter of workers compensation for the mining industry. It also underwrites coverage for small commercial businesses, including retail operations, light manufacturing, services and restaurants. Approximately 42% of its premiums are written in Pennsylvania. 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.

U.S. Specialty Programs

U.S. Specialty Programs offers specialized commercial niche programs customized to meet the specific insurance needs of targeted businesses. This unit provides solutions crafted specifically for each program opportunity. Its internal and external network includes experienced program administrators with successful track records with specialized underwriting expertise.

Inland Marine

The Inland Marine business 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.

Argo Cyber

Argo Cyber provides coverage solutions related to professional and technology services. It addresses a range of exposures that small and medium-size enterprises face, from an increasing reliance on information technology and the critical challenge of keeping computer networks and information private and secure. In Q4 2019 Argo launched "Cybersphere," which provides brokers with access to a digital solution for small-and mid-size business owners. With a range of first- and third-party coverages for small business and a third-party loss control solution.

Argo Surety

Argo Surety provides surety solutions to businesses that must satisfy various eligibility conditions in order to conduct commerce, such as licensure requirements 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 primarily writes Commercial 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.

Trident Public Risk Solutions

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. Its product lines include general liability, automobile liability, automobile physical damage, property, inland marine, crime, public officials' liability, educators' legal liability, employment practices liability, law enforcement liability and workers compensation coverage.

On February 6, 2020, we announced that we had reached an agreement to sell our Trident brand and underwriting platform to Paragon Insurance Holdings, LLC ("Paragon"). The results of operations related to Trident are included in the segment results of our U.S. Operations for the year ended December 31, 2019. See Note 24, "Subsequent Event" in the Notes to the Consolidated Financial Statements for additional details related to this transaction.

International Operations

This segment specializes in insurance and reinsurance risks worldwide through the broker market, focusing on specialty property insurance, property catastrophe reinsurance, primary/excess casualty and professional liability insurance. This segment includes a multi-class Lloyd's Syndicate platform, a strong Bermuda trading platform and business in Continental Europe and Brazil.

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

Lloyd's Syndicate Platform

Argo's Lloyd's syndicate platform includes Syndicate 1200 and Syndicate 1910. 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. In late 2019, the Singapore and Shanghai offices ceased underwriting business for Argo's Lloyd's syndicate platform.

Syndicate 1200 is focused on underwriting worldwide 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, general liability, directors and officers and cyber insurance with emphasis on Canada, Australia and the U.K. The marine and energy division underwrites cargo, downstream energy, and marine liability insurance. The specialty division underwrites personal accident, credit and political risks, and contingency insurance.

Approximately one half of Syndicate 1200's underwriting capital is related to third parties, including other (re)insurance groups ("trade capital") and high net worth individuals who want to participate in our underwriting. Trade capital providers participate on a quota share basis behind an Argo-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 underwrites reinsurance through our reinsurance division, Ariel Re, which operates in two areas - treaty property and specialty. Treaty property reinsurance is predominantly catastrophe-focused. Specialty reinsurance encompasses marine, energy, aviation, terrorism and property. This reinsurance portfolio is focused on treaties where high-quality exposure and experience data allow our underwriters to quantify the risk.

Syndicate 1910 also obtains a majority of its underwriting capital from third party sources and seeks to maintain a balance between capital provided by us and capital managed on behalf of third parties. The sources of the underwriting capital for Syndicate 1910 include our interest and capital from trade capital and high net worth individuals. 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.

Bermuda Insurance, Europe and Brazil

The additional international businesses include Argo Insurance Bermuda, ArgoGlobal SE, ArgoGlobal Assicurazioni in Italy and Argo Seguros business in Brazil.

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.

ArgoGlobal SE is based in Malta and underwrites accident & health, marine, professional liability, surety, and other property and casualty business in continental Europe.

ArgoGlobal Assicurazioni is a specialty underwriter of professional liability, property, marine, accident & health and liability insurance in the European market with a focus on Italy.

Argo Seguros is our property and casualty insurance company based in Sao Paolo, Brazil, which is focused on serving that country's domestic commercial insurance market. Argo Seguros provides a broad range of commercial property, casualty and specialty coverages. Its primary lines of business are cargo and marine, property, engineering and financial lines.

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. We use our capital strength and the Argo Group brands to cross-market the products offered by our segments among our operating platforms and divisions. 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

Within U.S. Operations, Colony Specialty distributes its products through a network of appointed wholesale agents and brokers specializing in excess and surplus lines and certain targeted admitted lines. Approximately two-thirds of Colony Specialty's premium volume in 2019 was produced by wholesale brokers who submit business and rely on Colony Specialty to produce quotes and handle policy issuance on such accounts. The remaining one-third of Colony Specialty's premium was produced through a select group of wholesale agents to whom Colony Specialty has delegated limited authority to act on its behalf. These agents are granted authority to underwrite, quote, bind and issue policies in accordance with predetermined guidelines and procedures prescribed by Colony Specialty.

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 wholesale agents, brokers and retail agents. Argo Insurance products and services are distributed through select retail agents, brokers, wholesale agents and program managers with demonstrated expertise. Rockwood distributes its product lines through its network of retail and wholesale agents. U.S. Specialty Programs provides its products through selected managing general agents ("MGAs") and brokers. Inland Marine uses selected retail agents and brokers. Trident provides its insurance products and related services through select retail agents, brokers and state program managers. 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.

Syndicate 1910 originates business directly through our Lloyd's platform, as well as outside of Lloyd's. All of our reinsurance ultimately resides in Syndicate 1910 through our internal capital framework, including the use of intercompany quota share arrangements.

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 following: the United Kingdom, Bermuda, Belgium, Brazil, Dubai, Germany, Italy, Malta, and Switzerland.

Competition

We compete 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 strictly 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

To remain competitive, our strategy includes, among other elements: (1) focusing on rate adequacy and underwriting discipline while providing a competitively priced product; (2) leveraging our distribution network by providing product solutions; (3) controlling expenses; (4) maintaining financial strength and issuer credit ratings; (5) providing quality services to agents and policyholders, including claims handling, rate, quote, bind and issue technologies to make it easier to write business; and (6) exploiting opportunities to acquire suitable books of business.

U.S. Operations

Competition within the excess and surplus lines marketplace comes from a wide range of national and global carriers. In addition to mature companies that operate nationwide, competition comes from carriers formed in recent years. The E&S Lines businesses may also compete with national and regional carriers from the standard market that are willing to underwrite policies on selected accounts on an admitted basis.

Due to the diverse nature of the products offered by our other U.S. Operations businesses, 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 along all product lines. Competition for Trident comes from a wide range of commercial insurers, but also from state and regional governmental risk pools.

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 and reinsurance 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: (i) Financial Strength Ratings ("FSR") and (ii) Debt Ratings or Issuer Credit Ratings ("ICR").

Financial Strength Ratings reflect the rating agency's assessment of an insurer's ability to meet its financial obligations to policyholders. With the exception of Argo Seguros (which is not rated), all of our insurance and reinsurance companies have an FSR of "A-" (Excellent) from A.M. Best Company ("A.M. Best"), and our U.S. insurance subsidiaries have an FSR of "A-" (Strong) from Standard & Poor's ("S&P").

Debt Ratings and Issuer Credit Ratings reflect the 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 U.S., Inc. 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. Except for Argo Seguros, all of our insurance and reinsurance companies have an ICR of "a-" from A.M. Best.

A.M. Best Financial Strength Ratings 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.

Syndicates 1200 and 1910, our Lloyd's syndicates, receive the Lloyd's market FSR rating of "A" (Excellent) by A.M. Best and "A+" (Strong) by S&P.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Changes to Ratings" for further discussion of the recent ratings changes announced by A.M. Best on February 26, 2020.

Regulation

General

The business of insurance and reinsurance 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 and reinsurance businesses operate are Bermuda, the United States of America ("U.S."), the European Union ("E.U."), the United Kingdom, Brazil and Dubai. The Argo Group is also regulated in other countries where it does business.

Bermuda

Insurance Company and Insurance Group Supervision and Regulation Scheme

Many of Bermuda's insurance groups subject to supervision are internationally active. Therefore, Bermuda's group supervision framework reflects international developments in this area and principles for insurance group supervision adopted by the International Association of Insurance Supervisors.

Based on the Insurance Act 1978 ("the Insurance Act"), as amended from time to time, Bermuda maintains a progressive, risk-based supervisory system for registered (Re)Insurance Companies and for selected (Re)Insurance Groups.

A number of Bermuda registered (re)insurers operate within a group structure, meaning that a local insurer's financial position and risk profile, and its overall prudential position, may be impacted by being part of a group, both positively and negatively. Therefore, the Bermuda Monetary Authority ("BMA") has established a group supervision framework for insurance groups. The BMA conducts its responsibilities and powers as Group Supervisor under the Insurance Act, and the supporting legislation, the Insurance (Group Supervision) Rules 2011 and the Insurance (Prudential Standards) (Insurance Groups Solvency Requirement) Rules 2011.

The main objectives of group supervision include (a) policyholder protection, (b) ensuring at least one supervisor has an overall view of the group and its associated risks and (c) addressing any supervisory gaps, the risk of one insurance company's losses impacting other legal entities within the group and the impact of any unregulated entities within a group. Therefore, key areas of focus within the group supervision framework are (1) ensuring solvency at group level, (2) monitoring inter-group transactions and (3) assessing corporate governance, risk management and internal control processes of insurance groups. In conducting its function as Group Supervisor, the BMA, among other things, convenes and conducts supervisory colleges with other supervisory authorities that have regulatory oversight of entities within a group and coordinates the gathering and dissemination of relevant or essential information from groups for going concern or emergency situations.

In May 2011, the BMA gave notice that it had determined itself to be the proper group supervisor of the Argo Group for purposes of its Group Supervision regime, and nominated Argo Re to serve as the designated insurer. Accordingly, the Argo Group is deemed to be an affiliated group supervised by the BMA under applicable rules and regulations in Bermuda.

On September 24, 2019, the BMA convened its annual supervisory college session relative to the 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 was also invited to attend and to make a presentation at the session.

The BMA is also responsible for the supervision, regulation and inspection of Bermuda domiciled insurance companies and for the licensing of all insurance companies, brokers, agents and managers doing business in Bermuda. The Insurance Act and its supporting legislation, the Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement), the Insurance (Eligible Capital) Rules, as well as various other policies and guidance notes, including the Insurance Code of Conduct, provide the BMA with substantive licensing and intervention powers.

These rules provide for significant reporting requirements related to us and our consolidated financial condition.

Solvency Regulation Scheme

Bermuda continues to enhance its risk-based regulatory regime, to meet or exceed international standards, including Solvency II ("SII") as enacted by the E.U. in November 2009. On March 24, 2016, the European Commission recommendation that Bermuda achieve full SII equivalence was confirmed in the Official Journey of the EU, with retroactive application to January 1, 2016. The European Commission announced its approval of Bermuda's commercial (re)insurance regime as being fully equivalent to the regulatory standards applied under SII.

Many of the areas covered under this initiative have been phased in over recent years. The BMA has enhanced its existing regime consisting of three core components: (1) Capital Adequacy, (2) Governance and Risk Management and (3) Disclosure and Reporting. Most of these core components are interconnected and potentially influenced by developments in other international regimes. (Re)insurance companies as well as (re)insurance groups are also subject to the Bermuda Solvency Capital Requirement ("BSCR"), a risk-based capital system mandated by the above mentioned rules.

Regulation of Argo Re

Classification of Insurers

The Insurance Act distinguishes between special purpose insurers, insurers operating a long-term business and insurers operating a general business. There are various classifications of insurers operating a general business, with Class 4 insurers subject to the highest level of regulation. Argo Re, which is incorporated 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 and Principal Office

Argo Re is required to maintain a principal office and to appoint and maintain a principal representative in Bermuda. The principal representative is required to give notice to the BMA regarding certain events relating to solvency, significant losses, proposed changes in ownership and other material changes defined in the Insurance Act. In some instances, prior approval may be required for a proposed action that is the subject of a notice.

Controlling Shareholders of an Insurer; Effect on Ownership of Shares in the Company

The definition of a "shareholder controller" is set out in the Insurance Act, but generally refers to a person who holds 10% or more of the shares carrying rights to vote at a shareholders' meeting of the registered insurer or its parent company. More stringent requirements apply at certain thresholds to those holding, directly or indirectly, 10% or more. The BMA also has the power under the Insurance Act, at any time, by written notice, to object to any "controller" (including a shareholder controller) if it appears to the BMA that such person is not a fit and proper person to be such a controller. The BMA may require a shareholder controller to reduce its holding of our common shares and direct, among other things, that voting rights attaching to the common shares shall not be exercisable.

Dividends

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 December of 2019 and 2018, Argo Re paid a cash dividend to Argo Group of $52.1 million and $41.0 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. In 2017, Argo Re did not pay a dividend to Argo Group.

Financial Condition Report

In 2019, Argo Group filed its annual Financial Condition Report ("FCR") with the BMA and on its public website under 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, solvency, financial performance and management of significant events. The FCR was reviewed by the BMA and posted on the Argo public website in June, 2019. The FCR is an annual filing which provides additional information to the public in relation to the Argo Group's business model. The 2019 FCR was again used as the basis for compliance with the NAIC Corporate Governance Annual Disclosures ("CGAD") reporting requirements applying to Argo Group U.S. as a result of the passing of the CGAD Model Act.

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 twelve insurance companies domiciled in five states (the "U.S. Subsidiaries"). Argo Group U.S., Inc., as the 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 is 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 the 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. These Regulations first came into effect in 2017 with a two-year transition period. In addition, the National Association of Insurance Commissioners ("NAIC") adopted the Insurance Data Security Model Law in October 2017. 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.

The California Consumer Privacy Act ("CCPA") is a bill that enhances privacy rights and consumer protection for residents of California. The bill was passed by the California State Legislature and signed into law on June 28, 2018, to amend Part 4 of Division 3 of the Californian Civil Code. Where the Argo Group has operations in California and is licensed to provide insurance coverage to policyholders based in California, the CCPA will apply.

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 and Rockwood Casualty Insurance Company. For the year ended December 31, 2019, Rockwood paid an ordinary dividend to Argo Group U.S., Inc. in the amount of $30.0 million. For the year ended December 31, 2019, Argonaut paid an ordinary dividend to Argo Group U.S., Inc. in the amount of $50.0 million. During 2020, Argonaut Insurance Company may be permitted to pay dividends up to $143.0 million without approval from the Illinois Department of Insurance, based on the application of the Illinois ordinary dividend calculation. Rockwood may be permitted, during 2020, to pay dividends up to $13.0 million without approval from the Pennsylvania Department of Insurance, based on the application of Pennsylvania's ordinary dividend calculation. 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 the 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 January 12, 2015, the President of the United States signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2014, which extends TRIA through December 31, 2020. 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 the Argo Group's Lloyd's Managing Agency, Argo Managing Agency Limited, which manages Syndicate 1200, Syndicate 1910 and Special Purpose Arrangement 6117 ("SPA6117") at Lloyd's, ArgoGlobal SE (Malta) and ArgoGlobal Assicurazioni (Italy) are required to comply with SII.

United Kingdom Withdrawal from the E.U.

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit." As a result of the referendum, the British government has negotiated and executed the exit which occurred on January 31, 2020.

HM Treasury has used its powers under the European Union (Withdrawal) Act of 2018 to ensure that the U.K. will have a functioning financial services regulatory regime in all scenarios, now that the U.K. has left the E.U.

United Kingdom

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. The Council of Lloyd's currently has wide discretionary powers to regulate members' underwriting at Lloyd's. The Lloyd's Franchise Board is currently 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. Lloyd's has announced that during 2020, the Council and Franchise Board will be merged to form a new Council, simplifying the governance of the market. The Lloyd's Franchise Board 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.

The Argo Group predominantly participates in the Lloyd's Market as a Lloyd's corporate member on S1200 and S1910 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 utilizes five Argo Group wholly-owned Lloyd's approved service companies, which produce business to Syndicate 1200 and Syndicate 1910 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 (Dubai) Ltd. 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.

- ArgoGlobal Underwriting Asia Pacific Pte Limited

ArgoGlobal Underwriting Asia Pacific Pte Limited is authorized by the Monetary Authority of Singapore (MAS) as a Lloyd's Asia Scheme Service Company. The Company is therefore subject to regulatory oversight from both Lloyd's and the MAS. During 2019, we ceased underwriting in ArgoGlobal Underwriting Asia Pacific Pte Limited 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. It is a corporation incorporated in Delaware, USA authorized to transact business in the State of Florida with a principal agency insurance license provided by the Georgia Insurance Department. The Company is subject to regulatory oversight from Lloyd's. During 2019, we ceased underwriting in ArgoGlobal Insurance Services Inc. and have placed the company into runoff.

- ArgoGlobal Services (Hong Kong) Limited

ArgoGlobal Services (Hong Kong) Limited is registered with the Insurance Agents Registration Board ("IARB"). It is a Lloyd's approved service company coverholder. ArgoGlobal Services (Hong Kong) Limited is subject to the laws and rules of Hong Kong. The Company is subject to regulatory oversight from Lloyd's.

- Ariel Re Bda Limited (domiciled in Bermuda)

Ariel Re Bda Limited is licensed by the BMA as an Insurance Agent and an Insurance Manager. It is a Lloyd's approved service company coverholder. Ariel Re Bda Limited 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.

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 underwrites 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 can only underwrite Swiss domiciled risks. The third-party Zurich branch is subject to the regulations of the Swiss Financial Market Supervisory Authority ("FINMA"). When payable, dividends from ArgoGlobal SE are subject to applicable laws and regulations in Malta.

Italy

ArgoGlobal Assicurazioni S.p.A 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.) & the Data Protection Act 2018 (U.K.)

In the E.U., the General Data Protection Regulation (the "GDPR") came into force on May 25, 2018. The Argo Group is subject to the requirements of GDPR as regards the provision of our services and products within the E.U.

The Data Protection Act 2018 ("DPA2018") is essentially a U.K.-specific complement to the GDPR, and was created for three reasons. First, it states the U.K.'s position on areas of the GDPR that are left for each member state to decide. Second, the DPA2018 adds requirements that fall outside the GDPR's scope, such as processing by law enforcement and intelligence services. Third, it ensures that the U.K. will retain the GDPR's requirements although it has exited the E.U.

Argo Group recognizes the importance of maintaining data privacy protections for nonpublic personal information as required by GDPR and DPA2018. The Argo Group has established policies and procedures to assist in our compliance with the applicable GDPR and DPA2018 requirements.

Brazil

Argo Seguros is authorized to operate as a licensed insurer domiciled in Brazil by the Superintendência de Seguros Privados, ("SUSEP") per Ordinance nº 4.316 issued in 2011. Argo Seguros is regulated as a domestic insurer by SUSEP and subject to Brazil's laws and regulations relating to insurance and solvency requirements. When payable, dividends from Argo Seguros are subject to applicable laws and regulations in Brazil.

In April 2014, Argo Re was registered by SUSEP 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, per Ordinance nº 5.795. Argo Re Escritorio 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.

Reinsurance

As is common practice within the insurance industry, Argo Group's insurance and reinsurance 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. These programs are structured with the intention of limiting the financial impact of significant catastrophe losses in a given fiscal year to no more than one quarter's earnings.

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, 2019, Argo Group's reinsurance recoverable balance totaled $3,104.6 million, net of an allowance for doubtful accounts of $1.1 million. The following table reflects the credit ratings for our reinsurance recoverable balance at December 31, 2019:

(in millions)	2019	
Ratings per A.M. Best	**Reinsurance Recoverables**	**% of Total**
Reinsurers rated A+ or better	$ 2,337.9	54.1%
Reinsurers rated A	326.5	22.5%
Reinsurers rated A-	108.0	5.8%
Reinsurers rated below A- or not rated	332.2	17.6%
	$ 3,104.6	100.0%

Nine of the top ten reinsurers, rated A or higher, accounted for $1,823.4 million, or approximately 59% of the reinsurance recoverable balance as of December 31, 2019. Management has concluded that all balances (net of any allowances for doubtful accounts) are considered recoverable as of December 31, 2019. As of December 31, 2019, we hold collateral for 76% of the amounts recoverable from reinsurers rated below A- or not rated.

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 4, “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 judgmentally on an individual case basis. 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 treaty.

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 hurricanes, windstorms, earthquakes, hailstorms, explosions, power outages, severe winter weather, fires 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 segment 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 the Run-off Lines segment. Additional discussion on the Run-off Lines segment can be found under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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 5, “Reserves for Losses and Loss Adjustment Expenses,” in the Notes to Consolidated Financial Statements.

Investments

Investment Strategy and Guidelines

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 core bond portfolio consists primarily of investment grade, fixed-maturity securities. As of December 31, 2019, fixed maturities, along with cash and short-term investments, represented 87.8% 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, regulatory requirements, or our managers’ point of view on a given currency.

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 possibly 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.

During the fourth quarter of 2019, our current we determined that as part of our overall strategy-which includes capital management and efforts to “Simplify, Reduce, and Eliminate” functional complexity-the company would reduce its holding of certain equity securities. The reduction in equity securities is intended to allow us the ability to reallocate capital from the investment portfolio to the underwriting portfolio and into businesses that currently meet and have the opportunity to grow our overall risk-adjusted, ROE requirements. Given current underwriting market conditions, including overall increases in rates, our unique product domain expertise and producer management capabilities, we believe that we will see better longer-term results under this approach. Further, the current investment portfolio can be simplified and allow for reduced capital requirements and management oversight compared to historical levels.

Investment Committee and Investment Managers

The Investment Committee of our Board of Directors (the “Board”) has approved an investment policy statement that contains investment guidelines and serves to govern our investment activity. The Investment Committee regularly monitors our overall investment results, compliance with investment objectives and guidelines and ultimately reports our overall investment results to the Board.

We currently use multiple professional investment managers to manage our portfolio. Approximately 7% of the investment portfolio is managed internally.

Additional information relating to our investment portfolio is included under Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” and Note 2, “Investments,” in the Notes to Consolidated Financial Statements.

Employees

As of December 31, 2019, we employed 1,467 people, of which 1,447 are full-time employees.

Information About Our Executive Officers

Our executive officers, along with each such person’s age, present title and certain biographical information, is included below.

Kevin J. Rehnberg (56) is the Chief Executive Officer, effective as of February 18, 2020. He had previously served as the Interim President and Chief Executive Officer since November 4, 2019. Prior thereto, Mr. Rehnberg served as President, Argo Group U.S., Inc., head of the Americas and Chief Administrative Officer since January 2019. From March 2013 to January 2019, Mr. Rehnberg was President of Argo’s U.S. Operations, overseeing all activities of Argo’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. He has a bachelor’s degree from Princeton University.

Jay S. Bullock (55) has been Chief Financial Officer of Argo Group since May 2008. He joined Argo Group from Bear Stearns & Co. Inc. where he was a Senior Managing Director and Head of Bear Stearns’ Insurance Investment Banking Group. While at Bear Stearns, Mr. Bullock focused on the insurance sector. In this role, he advised on company acquisitions, mergers and sales as well as all forms of public and private financings and restructurings. During this period, he was also an advisor to Argo Group on a number of transactions. Prior to joining Bear Stearns in 2000, Mr. Bullock was a Managing Director at First Union Securities. He is an honors graduate of Southern Methodist University and received his MBA from The McColl School of Business, Queen’s College, Charlotte, North Carolina. Mr. Bullock also holds the designation of Certified Public Accountant (CPA).

Matthew J. Harris (50) became Head of International Operations of Argo Group effective January 1, 2019. Prior to then, Mr. Harris had served as Head of Europe, Middle East and Asia of Argo Group since July 2017. Mr. Harris has more than 25 years of insurance experience with expertise in multiple operational disciplines. Mr. Harris has successfully undertaken senior management assignments across multiple distribution channels and product segments. Prior to joining the Company, Mr. Harris spent nearly ten years at American International Group (AIG) where, since January 2015, he was the Chief Executive Officer of AIG Asia Pacific Pte Ltd. During his tenure at AIG, Harris also led South East Asia Country Operations and served as Chief Executive Officer of Malaysia Insurance and Chief Executive Officer of Chartis New Zealand (formerly American International Group New Zealand).

Axel Schmidt (63) has been Chief Underwriting Officer of Argo Group since August 2014. He came to Argo Group from Aviva where he served as Chief Underwriting Officer for the company's U.K./Ireland business across personal, commercial and corporate/specialty lines and also as Aviva's global practice leader for underwriting, products, pricing and claims. Prior to joining Aviva, Mr. Schmidt spent 20 years at Zurich in their international business where he held a number of senior underwriting and management positions including Deputy Chief Executive Officer/CUO for their corporate business in Europe/U.K. and Underwriting Director for their global corporate business. He also served as a member of Zurich's Group Underwriting and Group Reinsurance Board of Directors. Prior to joining Zurich, Mr. Schmidt spent 2 years at Gerling Global Re as an underwriter. Mr. Schmidt graduated from Westphalian Wilhelms University in Munster, Germany with a degree in Law Studies. He also earned a Juris Doctorate from the State Supreme Court in Dusseldorf, Germany.

Available Information

Our executive offices are located at 110 Pitts Bay Road, Pembroke HM08, Bermuda. The mailing address is P.O. Box HM 1282, Hamilton HM FX, Bermuda. The telephone number is (441) 296-5858. The website address is www.argolimited.com. None of the information contained on our website is part of this report or is incorporated in this report by reference. We file annual, quarterly and current reports, proxy statements and other information and documents with the 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. Also available on our website, under the Investor Relations and Governance links, are copies of our Audit Committee Charter, Human Resources Committee Charter, Investment Committee Charter, Nominating Committee Charter, Risk & Capital Committee Charter, Corporate Governance Guidelines and Terms of Reference, Financial Conduct Report (FCR) and Code of Conduct and Business Ethics. 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. All of these documents will be provided without charge upon written request to the Vice President, Investor Relations at our above address.

Item 1A. Risk Factors

An investment in our common shares involves various risks, including those mentioned below and those that are discussed from time to time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information filed in this report, before making an investment decision regarding our common shares. There may be additional risks of which we are currently unaware or 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.

Enterprise Risk-Management and Governance Frameworks

Purpose

The objective of our Enterprise Risk-Management ("ERM") Framework is to ensure that:

1. All reasonably foreseeable material risks, including financial and non-financial, on and off-balance sheet and current and contingent exposures are identified;
2. The potential impact of such material risks, including material risks affecting capital requirements and capital management, short-term and long-term liquidity requirements, policyholder obligations and operational strategies and objectives are assessed; and
3. Policies and strategies are developed and maintained to effectively manage, mitigate and report material risks.

Our framework for managing enterprise risks is intended to meet standards that are not only consistent with the applicable laws and regulations, but which are commercially reasonable, aligned to international best practices (such as ISO 31000) and prudent taking into consideration the interests of our shareholders, policyholders and other counterparties.

Conducting our insurance and reinsurance business operations and related services in a prudent manner requires us to establish sound governance mechanisms, including a sound risk management and internal controls framework. This framework takes into consideration international best practice on enterprise risk management and internal controls and is overseen by our Board.

The focus of our risk management framework is on "reasonably foreseeable material risks," meaning those exposures (financial and non-financial, on and off-balance sheet, current and contingent exposures) that we can identify in advance as having the potential, should they occur, to change the way relevant stakeholders would assess our solvency and/or liquidity position or risk profile. Relevant stakeholders include the Board, senior management, policyholders, investors and the various types of entities that monitor and regulate our business activities and securities.

Risk Strategy

Our "Risk Strategy" encompasses our Risk Appetite Framework and strategy for addressing and managing material business risks. The Risk Strategy is based on and implemented through the respective policies, targets, guidelines, requirements and budgets approved by our Board Risk & Capital Committee on a periodic basis. This strategy is reviewed annually and (ERM) objectives are agreed by the Risk & Capital Committee each year.

The Risk Appetite Framework brings together the overall approach for articulating and managing risk appetite, risk preferences, risk tolerances and risk limits. It describes how this is organized and what processes and procedures underpin its implementation in practice. The aim to provide clarity over the amount of risk that can be taken ensures accountability for decision-making.

Because we are subject to an increasingly complex environment for regulatory and financial oversight, we consider (ERM) and Compliance as key functions from an operational standpoint. However, maintaining a suitable and effective Risk Strategy is also viewed as a strategic imperative since it allows us to remain competitive through a better understanding of our own risks and overall solvency needs, on both a per risk and an aggregated enterprise wide basis.

Framework

Our risk-management and internal controls framework is designed to enable us to achieve an accurate and timely understanding of (1) the nature, caliber and sensitivity of the material foreseeable risks to which we are exposed, (2) our ability to mitigate or avoid such risks and (3) to the extent that an identified risk falls outside of our Risk Appetite, what course of action is necessary to address such risk consistent with our business plans and risk tolerances.

Key elements of our risk-management framework are summarized below:

1. Our risk management framework consists of three lines of defense and begins at the functional level. Risk Owners within each business function is charged with the task of identifying, assessing, measuring, monitoring, reporting and mitigating risks associated with a department's respective functions and responsibilities. The Chief Risk Officer ("CRO"), who reports on issues of risk management to the Risk & Capital Committee of the Board and leads the second line of defense, plays a key role in risk management by coordinating, facilitating and overseeing the effectiveness and integrity of our risk management activities. This Risk Management Function ("RMF") is also charged with establishing, maintaining and enhancing the methodology and tools used to identify and evaluate risks and, where risks are outside our risk appetite, ensuring that there is an appropriate response applied by the respective risk owner.
2. The Internal Audit department provides a third line of defense by assessing the effectiveness of our risk management processes, practices and internal controls and providing timely feedback and assurance to the Board on the adherence to our risk management framework. The Head of Internal Audit reports to the Audit Committee of the Board on issues related to the internal control framework.
3. We have established policies to identify and address existing as well as evolving and emerging risks that have the potential to materially impact the adequacy of our financial resources, volatility of our results, expected shareholder returns or our ability to meet our commercial, legal and regulatory obligations.
4. Our ERM framework is:
    - embedded in both the organizational structure and strategic oversight process, supported by appropriate internal control policies and procedures.

      Our Board has Corporate Governance Guidelines and Terms of Reference that reflect local and international developments with regard to Risk and Capital Management. The Risk & Capital Committee of the Board is regularly briefed on emerging issues relevant to our international footprint as well as evolving regulatory developments, especially in Bermuda, the U.S., United Kingdom and the E.U.

The RMF has responsibility across all of Argo Group for the implementation of the ERM framework. Central to our approach is our ORSA process which reports the key threats and opportunities facing the business on a quarterly basis to the Board Risk & Capital Committee, and provides an overall evaluation of the capital and solvency implications as well as periodic reporting of our performance against risk appetite. This in turn feeds into an annual ORSA report which is presented to our regulators.

Throughout the year, risks related to our business are reviewed and evaluated at all levels. A strategic landscape is used to communicate to both the Executive and the Risk & Capital Committee the principle threats and opportunities that could impact the organization's strategy and how these are being addressed over time. Based on these assessments, management agree that appropriate risk management actions have been taken to address and mitigate risks where necessary and to ensure that underwriting and investment activities remain consistent with Argo Group's strategic and business plans.

These risk management activities are subsequently monitored, reviewed and, if required, adjusted during the course of regularly scheduled operational meetings, reserve review meetings and other management meetings during the year to assure proper alignment with approved risk appetite and tolerance levels.

- supported by information systems that capture underwriting, claim, investment and operational data in order to provide relevant, accurate and timely information to the applicable business functions.

  We employ various data sources and risk models and continue to evaluate and fortify our processes and protocols to assure the integrity of such tools.

- designed to incorporate techniques necessary to identify, measure, respond to, monitor and report, on a continuous basis and on an individual and aggregate level, material foreseeable risks.

  The risk management techniques, especially with regard to our internal economic capital model, are actively used to allocate capital to underwriting and investment operations and report on Return on Allocated Capital (ROAC) as part of our business portfolio performance framework.

  The capital model is actively used by the RMF to manage risk / reward decisions including optimizing reinsurance protections, and accordingly is subject to ongoing challenge and verification through independent model validation reviews led by the actuarial function. This enables us to improve our quantitative and qualitative views of risk over time.

- designed to specify objectives, risk appetite and tolerance levels, as well as appropriate delegation of oversight, reporting and operating responsibilities across all functions.

  Our Risk Appetite Framework defines our ability to take risk through a series of qualitative risk appetite statements that are communicated across the organization, supported by quantitative risk appetite measures and risk tolerances and limits at the Argo Group level as well as on an operational segment and local entity level. The risk appetite is based on our available capital and liquidity and is reflected in Board approved business plans. The CRO advises the Board on periodic changes to risk appetite and risk tolerances, which are formally approved annually. Risk tolerances define acceptable boundaries in terms of volatility and provide a frame of reference for our business units.

  Our risk appetite is reflected in our strategic and business planning. In the event of capacity shortages or conflicts with the stipulated limits profile and internal guidelines, fixed escalation and decision-making processes are designed to ensure that business interests and risk management aspects are being surfaced, vetted and reconciled. We actively use our internal capital model for informed decision making around allocation of capital and resources. If necessary, risks are ceded or hedged by means of reinsurance, derivatives or other forms of risk transfer.

  Risk tolerances and limits encompassed in our Risk Appetite Framework include:

  - Primary enterprise-wide portfolio risk appetite measures which are based on our overall portfolio and designed to protect our capital and liquidity position and limit the likelihood of an economic loss for the year;
  - Secondary, supplementary limits, which serve to limit losses that can arise out of individual risk categories or accumulations, such as natural catastrophes and terrorism, and to limit market and credit risks that could materially impact our solvency were they to materialize;
  - Other limits, which are designed to protect and preserve our profit/loss performance, reputation and strategic agility and thus protect our future business potential. These limits include parameters for individual risks that could cause permanent damage to how our customers, clients, shareholders and staff perceive us.

- All significant policies and procedures associated with our risk management framework are documented in writing and available to the Board, Senior Management and employees.

  Our Corporate Governance, Compliance, Risk Management and Internal Controls Policies are reviewed on at least an annual basis. Recommended Policy revisions are provided to the Board, its Committees and Senior Management, as required on a timely basis.

We believe that the foregoing ERM framework and oversight activities are structured in a way that enables us to take an active approach to risk management in an ever changing legal, regulatory and business environment.

The ERM framework continues to be developed and enhanced over time in response to market developments, and tested against external Risk Maturity Model standards. The CRO annually presents to the Risk & Capital Committee a second line view of the effectiveness of the implementation of the ERM framework using our Risk Maturity Model. Improvements to this Model have been recognized externally in 2019.

We have self-assessed the operation of our Board Risk & Capital Committee and RMF against the recently published Risk Coalition Voluntary Code - “Principles and Guidance for Board Risk Committees and Risk Functions in the U.K. Financial Services Sector” and determined that we materially meet over 80% of the 139 Principles and Guidelines at the end of 2019; and intend to further enhance our risk governance by reference to this code during 2020.

Through the efforts of management, our internal RMF and the Board, we seek to manage our risk exposures within agreed risk tolerances, while recognizing that taking appropriate risks enables us to exploit opportunities beneficial to the organization and to our shareholders.

Significant Risks

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.

The insurance and reinsurance 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 and reinsurance 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 and reinsurance industry. As a result, the insurance and reinsurance 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 and reinsurance at rates that we consider appropriate and commensurate relative to the risk assumed. If we cannot underwrite insurance or reinsurance 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.

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 property, casualty and specialty lines of insurance and reinsurance 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 and/or reinsurance market. Increased competition in these markets could result in a change in the supply and/or demand for insurance or reinsurance, 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 and reinsurance 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. 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 or reinsurance 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 or reinsurance 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 ERM 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. The incidence and severity of such randomly occurring catastrophic events are inherently unpredictable. Climate change could have an impact on longer-term natural weather trends includes increases in such severe weather and catastrophic events. The extent of losses from a catastrophe is a function of both the total amount of insured values in the area affected by the event and severity of the event. 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. Also, it is possible that a series of catastrophic events could occur with unusual frequency in a given period which, although individually not severe enough to trigger the reinsurance protection or other hedging instrument, in the aggregate could have a material adverse impact on us.

Further, as a provider of property catastrophe reinsurance coverage in the worldwide marketplace, Syndicate 1910 and Argo Re's operating results in any given period will depend to some extent on the number and magnitude of such natural and man-made catastrophes. While both Syndicate 1910 and Argo Re may, depending on market conditions, purchase catastrophe retrocessional coverage for their own protection, the occurrence of one or more major catastrophes in any given period could nevertheless have a material adverse impact on Syndicate 1910 and Argo Re's operating results and/or financial condition. This could, in turn, result in a material adverse impact on Argo Group's business, results of operations and/or financial condition.

Terrorism

We are exposed to the risk of losses resulting from acts of terrorism. Even if reinsurers are able to exclude coverage for terrorist acts or price that coverage at rates that we consider attractive, direct insurers, like our primary insurance company subsidiaries, might not be able to likewise exclude coverage of terrorist acts because of regulatory constraints. If this occurs, we, in our capacity as a primary insurer, would have a significant gap in our own reinsurance protection and would be exposed 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.

We deem terrorism peril to include the damage resulting from various terrorist attacks through either conventional weapons or weapons of mass destruction such as nuclear or radioactive explosive devices as well as chemical and biological contaminants. We continue to review our underwriting data in assessing aggregate exposure to this peril. We underwrite against the risk of terrorism with a philosophy of avoidance wherever possible to the extent permitted by applicable law. For both property and casualty exposures, this is accomplished through the use of portfolio tracking tools that identify high risk areas, as well as areas of potential concentration. We estimate the probable maximum loss from each risk as well as for the portfolio in total and factor this analysis into the underwriting and reinsurance buying process. The probable maximum loss is model generated, and subject to assumptions that may not be reflective of ultimate losses incurred for a terrorist act.

Additionally, we have identified certain high risk locations and hazardous operations where there is a potential for an explosion or a rapid spread of fire due to a terrorist act. Through modeling, we continue to refine our estimates of the probable maximum loss from such events and factor this analysis into the underwriting evaluation process and also seek to mitigate this exposure through various policy terms and conditions (where allowed by statute) and through the use of reinsurance, to the extent possible. Our current reinsurance arrangements either exclude terrorism coverage or significantly limit the level of coverage that is provided.

Terrorism exclusions are not permitted in the United States for worker's compensation policies under United States 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 US operations.

Global climate change may have an adverse effect on our financial results and operations.

Although uncertainty remains as to the nature and effect of future efforts to curb greenhouse gas ("GHG") emissions and thereby the mitigation of long-term GHG effects on climate, a broad spectrum of scientific evidence could suggest that man-made production of GHG is a contributing factor to an increased frequency and severity of extreme weather events. We recognize the impact of climate change on the global community, and that is why we consider climate change in both our modeling of risk exposure and our underwriting decisions. Many sectors to which we provide insurance coverage might be affected by climate change. Some examples are coastal management, infrastructure, buildings, water, food and energy supply, land-planning, health and rescue preparedness.

We have developed our own view of risk, which is used to make underwriting and management decisions. It is based on a combination of third-party vendor models, plus our proprietary adjustments. In cases where a model does not exist or is not appropriate, we have developed proprietary models: for example, for North American Wildfires, Marine, Clean Energy, and others. We have considered the effect of climate change on historical U.S. hurricane landfall rates by region and category. Studies have examined trends in the historical record, climate model runs, and physical dynamics to conclude that it is likely that the total Atlantic basin hurricane event frequency decreases with increasing global temperature, but that the frequency of the strongest events increases. Hence, there is a possibility that Category 1-2 hurricanes are over-represented in the historical landfall record, and Category 3-5 hurricanes are under-represented. However, as climate change is also integral to climate variability and model calibration frequency adjustments, we recognize there remains considerable uncertainty and we are unable to explicitly isolate the effect of climate change in order to quantify its effect on losses.

Quantification of the effects of shifts in the climate is embedded in the pricing model validation process. Internal processes require that each component of every meteorological catastrophe model is validated for appropriate use and subsequently adjusted to incorporate available data points and the latest science into the current state of the climate. Stochastic event frequency has been calibrated to the Company's internal view of risk, which is reassessed annually to consider any emerging developments in the understanding of the changing risk from these perils. The team has developed tailored solutions to account for emerging climate risks including North American Wildfire and flooding from tropical cyclone precipitation. These adjustments are reviewed by underwriters and approved by an internal committee before submitting to regulators and implementing into the view of risk across business units. As such we consider a range of potential climate change scenarios within our overall Stress & Scenario Testing Framework (SSTF) and in completing validation of our catastrophe and capital models.

The Research and Development team has initiated discussions across the market by presenting model comparisons at industry events for U.S. Flood, U.S. Hurricane, and Climate Change Risk, among others. The team is involved in original climate research in peer reviewed journals and has close ties with academic institutions at the forefront of climate science.

Assessing the risk of loss and damage associated with the adverse effects of climate change on our operations and/or financial condition remains challenging. A range of approaches to address loss and damage associated with the adverse effects of climate change exist. There however remains significant uncertainty as to the nature and/or timing of the environmental liability and other types of claims arising from the energy, manufacturing and other industries we support.

We have classified climate change as an emerging risk and it is regularly monitored by the RMF for the primary purpose of assessing the potential impact of climate change on Argo Group's business operations, insurance products and clients. The Group CRO is responsible for coordinating sustainability initiatives, including periodic internal reporting. The CRO chairs a cross-functional Sustainability Working Group ("SWG") which meets on a quarterly basis. The (SWG) receives a detailed threat and opportunity analysis of the major Sustainability risks facing the organization every 6 months and escalates key issues to the ERM steering committee. The CRO reports material Sustainability related issues including climate change, to the Board Risk & Capital Committee on a quarterly basis as required.

We continue to actively monitor and evaluate scientific and political developments through our emerging risk process and exposure management activities. We demonstrate our commitment to addressing climate change issues through our active membership in ClimateWise, a global insurance industry leadership group facilitated by the University of Cambridge Institute for Sustainability Leadership. As part of our membership, we endeavor to adhere to the ClimateWise Principles which guide members' contribution to the transition to a low-carbon, climate-resilient economy and as such Argo Managing Agency has formally registered its support for the Task Force on Climate-related Financial Disclosure ("TCFD") recommendations and we continue to work towards achieving these goals.

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.

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. These reserve estimates represent management’s expectations of what the ultimate settlement and administration of claims will cost based on an assessment of known facts and circumstances, review of historical settlement patterns, estimates of trends in claims severity and frequency, changing legal theories of liability and other factors. 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. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, there may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurer. Reserve estimates are continually reevaluated in a regular ongoing process as historical loss experience develops and additional claims are reported and settled, and consequently, management’s estimates may change from time to time. 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.

Asbestos and Environmental Liability Loss Reserves

We have received asbestos and environmental liability claims arising out of liability coverage primarily written in the 1960s, 1970s and into the mid-1980s. Beginning in 1986, nearly all standard liability policies contained an express exclusion for asbestos and environmental related claims. All standard policies currently being issued by our U.S. Subsidiaries contain this exclusion. Certain of our specialty units offer coverage for environmental damages on a restrictive, contained basis with fixed limit caps within. 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:

- potentially long waiting periods between exposure and emergence of any bodily injury or property damage;
- difficulty in identifying sources of environmental or asbestos contamination;
- difficulty in properly allocating responsibility and/or liability for environmental or asbestos 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.

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. We establish reserves to the extent that, in the judgment of our management, the facts and prevailing law reflect an exposure for us not dissimilar to those results the industry has experienced with regard to asbestos and environmental related claims. We have annually reviewed our loss and loss adjustment expense reserves for our run-off lines of business, including asbestos and environmental claims. The review entails a detailed analysis of our direct and assumed exposure. We will continue to monitor industry trends and our own experience in order to determine the adequacy of our environmental and asbestos reserves. 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.

Because of all of the 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. Adjustments to reserves are reflected in the results in the periods in which management's best estimates are changed.

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 5, "Reserves for Losses and Loss Adjustment Expenses," in the Notes to Consolidated Financial Statements.

Operational Risk

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 independent of overall economic conditions. As such, higher demand for internal leaders and employees having desired talents within a particular geographic region or business segment in which we operate 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 is committed to developing our employees professionally and personally and this strengthens our entire organization. Our Human Resource strategy incorporates a strong focus on Talent Management carefully planning our workforce needs and matching these needs through thoughtful, cadenced talent retention, development, promotion and acquisition plans. We provide innovative digital and experiential tools and opportunities for our team members to develop and engender engagement and connectedness which we believe naturally supports positive business performance. Our efforts have been awarded 6 times in the last 2 years with coveted spots next to Fortune 100 giants such as Allianz and Walmart on the Global Training 125 list as well as multiple Gold and Bronze awards from Brandon Hall competing and in some cases winning against the likes of Mastercard, BB&T, Nationwide and Applied Materials to name a few various industry heavy weights. We are intensely committed to the development of our global team and operate through structured annual talent management and succession planning processes in order to support business continuity.

We are committed to fostering and preserving an inclusive and diverse culture. We recognize and value human capital as our most valuable asset. We believe a diverse workforce is a strength to the organization by bringing different life experiences, knowledge, education, innovation, self-expression and unique capabilities to work in helping us achieve our objectives together. To this end, Argo adopted and published a Board-approved Diversity & Inclusion (D&I) policy in October of 2019 coupled with a new D&I program, overseen by a Diversity & Inclusion Committee.

Argo Group and its subsidiaries, Argo Re and Ariel Re Bda Limited, acting on behalf of Syndicates 1200 and 1910, have operations that require highly skilled personnel to work in Bermuda. Given that the pool of applicants available to fill certain highly skilled key positions is limited, we are often required to recruit and retain qualified non-Bermudians to work in Bermuda. Our ability to do so 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. The Bermuda Department of Immigration will issue a work permit after proper public advertisements have been published and no Bermudian, spouse of a Bermudian or holder of a permanent resident certificate is available who meets the required education, skills and experience for the advertised position. In January 2013, the Bermuda Department of Immigration amended the term of these Standard Work Permits and this potentially impacts Argo Group's ability to renew such permits for key staff members. A significant number of our Bermuda based employees are employed pursuant to these work permits granted by The Bermuda Department of Immigration. Many of these individuals are considered to be key employees. If the Bermuda Department of Immigration changes its policies with regard to work permits, and as a result these key employees are required to leave Bermuda, our operations could be disrupted and our financial performance could be adversely affected.

Offices in foreign jurisdictions, such as Dubai, Singapore, Bermuda, United Kingdom, Malta, Switzerland, Italy and Brazil, 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 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.

We have recently experienced a CEO transition, with the departure of Mark E. Watson III, who had been the Company's CEO since January 2000, and the appointment of Kevin J. Rehnberg, first as Interim CEO in November 2019 and as permanent CEO in February 2020. Such 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 internal controls 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.

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

We continually enhance our operating procedures and internal controls to effectively support our business and comply with our regulatory and financial reporting requirements. As a result of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control objectives have been or will be met, and that 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 a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more persons. 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 policies or procedures may deteriorate. 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 a cost-effective control system, misstatement due to error or fraud may occur and not be detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure controls and procedures are met. Our management does not expect that our disclosure controls or our internal controls will prevent all errors or fraud.

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

Incidents of publicly reported cyber security incidents have increased recently and the insurance sector as a whole is more exposed than in the past. Our business is highly dependent upon the successful and uninterrupted functioning of our computer and data processing systems. We retain highly trained staff committed to the development and maintenance of these systems. We maintain and regularly review recovery plans which are intended to enable us to restore critical systems with minimal disruption. We operate a Global Information Security Council (“Council”) to oversee and steer risk management plans to manage these exposures on an ongoing basis. The purpose of the Council is to ensure that security controls and initiatives are balanced between business and technology risks and to ensure regular communication and visibility of our security framework. The Board Risk & Capital Committee receives periodic updates from the CRO and Chief Information Security Officer on the cybersecurity program and the activities of the Council.

While we have not experienced a material cybersecurity breach to date, and specifically no material events during 2019, we have no assurance that a breach associated with hacking, computer viruses, data breaches or Ransomware attacks will not occur in the future. Over time, and particularly recently, the sophistication of these threats continues to increase. We rely on computer systems, some of which may be exposed to a potential cybersecurity breach to perform accounting, policy administration, actuarial and other modeling functions necessary for underwriting business, as well as to process and issue claims and other payments.

Our information security program and approach are based on the National Institute of Standards and Technology (NIST) Cybersecurity Framework. We have a third-party auditor perform an independent assessment; with the findings we take a quantitative, risk-based approach in developing our strategic roadmap. The latest results indicate that the maturity of the current program is above the Insurance industry average. However, as part of continuous improvement, we will continue to mature and build a robust and resilient environment to protect and defend against bad actors.

We have implemented multiple layers of protection to minimize the risks to systems, personal data and the privacy of individuals. Such protection includes perimeter security controls, network security controls, endpoint security controls, application security controls, data security controls, logical and physical access controls, maintaining up-to-date inventories (authorized hardware and software), system hardening and monitoring, usage of modern protection software and third party risk assessments, 24/7 monitoring & response, testing of incident response procedures (table top exercises), annual information security awareness training, and monthly phishing tests of all Argo employees.

There is no assurance that our security measures, including information security policies, will provide fully effective protection from such events. A security breach of our computer systems could disrupt business operations, result in a loss of confidential information, damage our reputation or result in financial liability. Cybersecurity threats extend from individual attempts to gain unauthorized access to our information technology systems to coordinated, elaborate and targeted activity.

We recognize the potential for new cybersecurity risks arising alongside the benefits we derive from technological and digital development and while we employ technological security measures to prevent, detect and mitigate such threats (including independent and in-house vulnerability assessments, access controls, data encryption, continuous monitoring of our information technology networks and systems, maintenance of backup and protective systems) the infrastructure may be vulnerable to security incidents which could result in the disruption of business operations and the corruption, unavailability, misappropriation or destruction of critical data and confidential information (both our own and that of third parties). Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

The potential consequences of a material cybersecurity incident include 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. While we continue to maintain and review our cyber liability insurance protection, providing for first party and third party losses, such insurance may not provide insurance coverage for all of the costs and damages associated with the consequences of a cybersecurity incident. In some cases, such unauthorized access may not be immediately detected. This may impede or interrupt our business operations and could adversely affect our consolidated financial condition or results of operations. We recognize that even if we successfully protect our infrastructure and personal information, we could suffer harm to our reputation, if attempted security breaches were to be publicized.

We also provide regular and comprehensive employee engagement and training programs in order to guard against the potential occurrence of malicious attempts to extort sensitive information from our systems. These attempts may target our staff using social engineering techniques (also known as ‘phishing’). We continue to conduct our own regular ‘phishing’ testing to test our own preparedness and use the results of such testing to appropriately re-focus our staff awareness of these ever-changing threats.

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

We are subject to a number of data privacy laws and regulations enacted in the jurisdictions in which we do business. See “Item 1. Business-Regulation” for a description of the applicability of Cyber and Data Regulations and Requirements on the Argo Group.

Argo maintains a global Data Protection office that assesses risks associated with handling and protecting personal information. The program protects personal data by implementing appropriate technical and organizational measures in our data processing operations.

While we have not experienced a material privacy breach to date, and specifically no material events involving Personally Identifiable Information (PII) or customer information during 2019, we have no assurance that a breach will not occur in the future. A misuse or mishandling of personal information being sent to or received from a client, employee or third party could damage our businesses or our reputation or result in significant monetary damages, regulatory enforcement actions, fines and criminal prosecution in one or more jurisdictions. 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, we may be unable to do so in all cases, especially with customers, business partners and other third parties who may not have or use appropriate controls to protect personal information. Any failure to protect the privacy of personal information could adversely affect our reputation and have a material adverse effect on our financial condition and results of operations.

Argo maintains a Personal Information Protection Policy, Data Protection Framework, and Third Party Risk Management Program, with a commitment to carefully managing non-public personal information we are required to operate our business and complying with all regulations in the jurisdictions in which we operate, including specifically addressing the rights of individuals regarding control of data we may hold related to them. Policies are derived from internationally recognized privacy principles as well as the foundational principles of the E.U.’s GDPR and the California Consumer Protection Act.

The potential consequences of a material privacy incident include 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. While we continue to maintain and review our cyber liability insurance protection, providing protection for data privacy breaches, such insurance may not provide insurance coverage for all of the costs and damages associated with the consequences of personal information being compromised.

We only share personal data with affiliates, business partners, third party service providers or vendors when we have a legitimate business purpose for doing so and when permissible by law. We require third parties to maintain similar standards to ours for the protection of personal data, as verified by our due diligence process. We have implemented a holistic and consistent risk mitigation process to identify and assess the cyber posture of third parties providing commodities or services to any of Argo’s legal entities.

We also provide mandatory annual employee data protection and privacy training programs to all staff designed to ensure that staff are fully aware of their responsibilities in protecting customer information and to ensure that escalation procedures should an event occur are well understood and communicated should an event occur.

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 and a loss of business that may have an adverse effect upon on our operations or financial condition.

We periodically negotiate provisions and renewals of these 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 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.

Our Outsourcing Policy and Procedures comply with the requirements of the regulatory jurisdictions in which we operate and require that our due diligence and on-boarding procedures consider a range of risk factors prior to a vendor's appointment. These considerations include, but are not limited to, their financial stability, anti-money laundering, anti-bribery and corruption, and economic sanctions compliance as well as their business continuity arrangements and their operation against international best practice standards for Health & Safety, Environmental Management, Labour Relations and Human Rights performance.

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 United States. As a result, our ability to conduct our business might be adversely affected.

Market, Credit, Investment 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.

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, regulatory requirements, or our managers' point of view on a given currency. As such, there can be no assurance that changes in currency values will not have an adverse impact on our results of operations or financial position.

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, 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 possibly reinvestment risk. Certain investments outside our highly rated fixed income portfolio, which includes high yield fixed maturity securities, equities and other alternative 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.

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, 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.

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

We hold a diversified portfolio of investments. These investments are managed in accordance with our investment policy by professional investment management firms and internally, under the direction of our Investment Committee, Chief Executive Officer ("CEO"), Chief Financial Officer and Chief Investment Officer. 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.

During an economic downturn, our investment portfolio could be subject to higher risk. The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities held or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments of such investments. 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, thereby increasing the risk that the portion of the investment portfolio that is carried at fair value as reflected in our consolidated financial statements is not reflective of prices at which actual transactions would occur for certain investments.

Additionally, our portfolio of 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 decreases 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.

There can be no assurance that our investment objectives will be achieved, and results may vary substantially over time. In addition, 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.

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 Brazilian subsidiary whose functional currency is the Brazilian Real and 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, from time to time, 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 do not employ a specific hedging strategy. Rather, we use natural hedges by monitoring and maintaining appropriately balanced levels of assets and liabilities that are exposed to the same currency fluctuation risks.

We may be adversely affected by the banking industry transition away from London Interbank Offering Rate ("LIBOR")

In July 2017, the United Kingdom FCA, which regulates LIBOR, announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. LIBOR offers a benchmark which international banks use to lend to each other on short-term basis and has been used in a variety of other contracts including swaps, corporate debt and commercial contracts. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. 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 ensure that all securitized assets acquired since the transition was announced have LIBOR succession language and that alternative rates are adopted in contracts as these become established. Despite these measures, there remains the possibility that certain legacy instruments without these provisions could be adversely impacted during the transition.

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. Interest rates are affected by many factors, including the fiscal and monetary policies of the U.S. and other major economies, inflation, economic and political conditions and other factors beyond our control. 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. Despite our mitigation efforts, which include duration targets for asset portfolios, compliance monitoring of these targets and means to reasonably and effectively match asset duration to the duration of our liabilities, fluctuation in interest rates could have a material adverse effect on our business, results of operations and/or financial condition.

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. 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.

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 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. We are selective in regard to our reinsurers, placing reinsurance with those reinsurers with strong financial strength ratings from A.M. Best, S&P or a combination thereof. 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.

Concentration Risk

Concentration Risk is the risk of exposure to losses associated with inadequate diversification of portfolios of assets or obligations. Concentration risk can arise in both the asset and liability side of the balance sheet as well as in off-balance sheet items and can originate from a series of sources such as natural or man-made catastrophes or unprecedented economic events, individual risk exposure, or a combination of risk exposures such as credit, investment, underwriting and liquidity.

We offer a variety of insurance products across different operational segments and geographic regions. As such, diversification is a key component to our business model. Risk diversification helps us manage our capital allocation by limiting the impact of any single event to our economic, financial and regulatory condition. The degree to which the diversification effect can be realized depends not only on the correlation between risks but also on the level of relative concentration of those risks. Based on these assumptions, our goal is to maintain an appropriately balanced risk profile by avoiding any disproportionately large risks. At the Argo Group level, we identify, measure, manage and monitor pre-defined concentration risk scenarios across the operational segments, including our own outward reinsurance placements. With respect to investments, top-down indicators such as strategic asset allocation thresholds are defined and closely monitored to ensure balanced investment portfolios. Disproportionately large risks that might accumulate and have the potential to produce substantial losses, such as, major natural catastrophic or credit events, are modeled, budgeted and monitored on a standalone basis.

Despite the introduction of identification, modeling and monitoring protocols and in light of the inherent limitations to the tools and applications used, it is possible that an unknown, undetected or underestimated accumulation event could occur and result in a material financial loss.

For more details, see also above Insurance and Market/Credit Risk sections.

Strategic Risk

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.

Deterioration of the macroeconomic environment in the U.S., Eurozone and worldwide

Economic imbalances and financial market turmoil could result in a widening of credit spreads and volatility in share prices. These circumstances could lead to a decline in asset value and potentially reduce the demand for insurance due to limited economic growth prospects. The ultimate impact of such conditions on the insurance industry in general, and on our operations in particular, cannot be fully or accurately quantified. Major public health issues, such as a pandemic (*e.g.* the novel coronavirus COVID-19) or other event that causes a large number of illnesses or deaths, could harm our operations and have a major impact on the global economy and financial markets.

Adverse developments in the broader economy could create significant challenges to the insurance industry. If policy responses in Europe, the U.S. and internationally are not effective in mitigating these conditions, the insurance sector could be adversely affected by the resulting financial and economic environment.

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.

On June 23, 2016, the United Kingdom 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 British government has negotiated and executed the exit which occurred on January 31, 2020. The British government will now seek to negotiate the terms of the United Kingdom's future relationship with the E.U. There remains uncertainty over the shape of the future trade relationship and the timing of any agreement, while negotiations continue. This may continue to cause regulatory and foreign exchange rate uncertainty with respect to ArgoGlobal Syndicate 1200 and Ariel Re's Syndicate 1910. 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. ArgoGlobal's Syndicate 1200 and Syndicate 1910 have chosen to utilize this platform to maintain continuity of operations for their E.U.-domiciled clients.

Our insurance and reinsurance subsidiaries are subject to risk-based capital and solvency requirements in their respective regulatory domiciles.

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.

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 (S1200), Syndicate 1910 (S1910) & SPA6117 have 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. The prolonged effects of the most recent financial market crisis created uncertainty in the equity and fixed maturity securities markets and could have affected our ability, and the ability of others within our industry, 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.

United States

Argo Group's U.S. subsidiaries are subject to the risk-based capital system outlined in the Risk-Based Capital for Insurers Model Act. The Risk-Based Capital for Insurers Model Act provides four levels of regulatory activity if the risk-based capital ratio yielded by the calculation falls below specified minimums. At each of four successively lower risk-based capital ratios specified by statute, broader regulatory remedies become available. The four levels are: (i) Company Action Level Event, (ii) Regulatory Action Level Event, (iii) Authorized Control Level Event and (iv) Mandatory Control Level Event. If we fall below the minimum acceptable risk-based capital level, we would be subject to additional regulatory actions.

European Union

SII is the enhanced E.U. regulatory regime providing for a risk-based system for the supervision of European insurance and reinsurance undertakings. It imposes new solvency and governance requirements across all 27 E.U. Member States to be implemented through the European Insurance and Occupational Pensions Agency (EIOPA).

United Kingdom

S1200, S1910 & SPA6117 are managed by Argo Managing Agency Limited and are subject to the risk-based capital requirements administered by the PRA, and are also subject to SII risk-based capital requirements, as discussed above. Lloyd's has established its own requirements for SII with which S1200, S1910 & SPA6117 have to date complied with and in the future will be expected to comply.

Bermuda

Argo Group and Argo Re

As discussed in the summary of regulatory provisions above relating to Argo Group and Argo Re in Bermuda, Argo Re is subject to the BSCR, a risk-based capital system mandated by the Bermuda Insurance (Prudential Standards) (Class 4 and Class 3B Solvency Requirement) Rules, as amended from time to time. Similarly, Argo Group is subject to the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 as amended from time to time. The application and methods of calculating the BSCR required by the BMA are subject to change, and the ultimate impact on our solvency position from any future material changes cannot be determined at this time.

Minimum Solvency Margin

Argo Re must ensure that the value of its general business assets exceeds the amount of its general business liabilities by an amount greater than the prescribed minimum solvency margin ("MSM") pertaining to its general business. As a Class 4 insurer, Argo Re is required, with respect to its general business, to maintain a minimum solvency margin equal to the greatest of (A) $100 million, (B) 50% of net premiums written (being gross premiums written less any premiums ceded by Argo Re, but Argo Re may not deduct more than 25% of gross premiums when computing net premiums written) and (C) 15% of net discounted aggregate losses and loss expense provisions and other insurance reserves. Argo Group is supervised by the BMA as an Insurance Group, and must ensure that the value of the Insurance Group's assets exceeds the Insurance Group's liabilities by the aggregate MSM of each qualifying member of the Insurance Group.

Enhanced Capital Requirement

Argo Group, as a BMA supervised Insurance Group, and Argo Re, as a Class 4 insurer, are required to maintain available statutory capital and surplus pertaining to its general business at a level equal to or in excess of its enhanced capital requirement. The ECR is established by reference to either the BSCR model or an approved internal capital model, but must be equal to or exceed the MSM for the insurer. The BSCR 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 BMA may, subject to compliance with the relevant provisions of the Insurance Act, make such adjustments to an insurer's ECR and available statutory capital and surplus requirements as it considers appropriate.

Target Capital Level

Although not a metric specifically defined in the Insurance Act, the BMA has the authority to establish a target capital level ("TCL") for each Class 4 insurer. The TCL is equal to 120% of an insurer's ECR. The purpose of the TCL is to serve as an early warning tool for the BMA. Failure to maintain statutory capital at or above the TCL will likely result in increased regulatory oversight.

Eligible Capital

Under the respective systems applied to Argo Re as a re(insurer) and Argo Group as an Insurance Group supervised by the BMA, all capital instruments at Argo Group and Argo Re 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 Tier 1 Capital; lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, not less than 80% of Tier 1 Capital and up to 20% of Tier 2 Capital may be used to support the Company's minimum solvency margin for the filing entity's general business. Thereafter, a minimum of 60% of Tier 1 Capital and a maximum of 15% of Tier 3 Capital may be used to satisfy the filing entity's ECR. Any combination of Tier 1, 2 or 3 Capital may be used to meet the TCL. With respect to Argo Group, the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Amendment Rules 2012 provide for a phase-in over a period of six years, starting at 50% of the amount determined and increasing in 10% increments. Where the BMA has previously approved the use of certain instruments for capital purposes, the BMA's consent must be obtained if such instruments are to remain eligible for use in satisfying the minimum margin of solvency pertaining to the filing entity general business and it's ECR. The BMA has during 2017 provided further guidance on how the Insurance (Eligible Capital) Rules 2012("Eligible Capital Rules") will be applied in practice to insurers. Market practice on the application of these Eligible Capital Rules remain subject to change and no assurance be provided over the ongoing regulatory treatment of Argo Group and Argo Re's capital structures.

Minimum Liquidity Ratio

Argo Re is required to maintain a minimum liquidity ratio for general business equal to the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable and reinsurance balances receivable. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (by interpretation, those not specifically defined).

Restrictions on Dividends and Distributions

Argo Re is prohibited from declaring or paying any dividends 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 7 days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet the required margins.

As discussed in the regulatory section above, 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.

We may incur significant additional indebtedness.

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.

Argo Group is a holding company and if its subsidiaries do not make dividend payments to Argo Group, Argo Group may not be able to pay dividends or other obligations.

Argo Group is a holding company with no significant operations or significant assets other than the share capital of its subsidiaries. Argo Group relies primarily on cash dividends from its subsidiaries to pay operating expenses and obligations. It is expected that future distributions from these subsidiaries will be the principal source of funds to meet financial obligations and pay shareholder dividends. The payment of dividends by the insurance and reinsurance subsidiaries is limited under the laws and regulations of the respective domicile. These regulations stipulate the maximum amount of annual dividends or other distributions available to shareholders without prior approval of the relevant regulatory authorities. Thus, cash resources located in subsidiaries may not be readily available to Argo Group in whole or in part to address its liquidity needs.

We have experienced a ratings downgrade and there can be no assurance that we and our subsidiaries will not experience any further downgrades, which may 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.

On February 26, 2020, A.M. Best downgraded the Company's financial strength rating (FSR) from "A" (Excellent) to "A-" (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) to "a-" from "a" of Argo Re and its subsidiaries. The outlook assigned to all these ratings by A.M. Best is negative.

In 2019, S&P affirmed our Financial Strength Rating of "A-" (Strong) of our U.S. insurance subsidiaries (other than ARIS Title Insurance Corporation). Argo Group U.S., Inc. has an Issuer Credit Rating of "BBB-" (Good). Syndicates 1200 and 1910, our Lloyd's syndicates, operate with 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.

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. Additionally, many producers are prohibited from placing insurance or reinsurance with companies that are rated below "A-" (Excellent). Because A.M. Best continually monitors companies with regard to their ratings, our ratings could change at any time. Although the Company is still assessing the impact of this recent downgrade, we do not believe that this change in rating will materially impact the Company's business operations. However, the downgrade may impair our ability to sell insurance policies and could materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.

Our use of mergers and acquisitions to further our growth strategy may not succeed.

Our strategy for growth may include mergers and acquisitions. This strategy presents risks that could have a material adverse effect on our business and financial performance, including: (i) the diversion of management's attention, (ii) our ability to execute a transaction effectively, including the integration of operations and the retention of employees and (iii) the contingent and latent risks associated with the past operations of and other unanticipated problems arising from a transaction partner. 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.

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.

Argo Re's inability to provide the necessary collateral could affect Argo Re's ability to offer reinsurance in certain markets.

Argo Re, the Bermuda Class 4 risk bearing entity, is licensed as a reinsurer in Panama, Ecuador and Bermuda. Because many jurisdictions do not permit insurance companies to take credit for reinsurance obtained from unlicensed or non-admitted insurers in statutory financial statements unless appropriate security is in place, Argo Re anticipates that its reinsurance clients will typically require it to post a letter of credit or other collateral for incurred losses. If Argo Re is unable to arrange for security on commercially reasonable terms, Argo Re could be limited in its ability to underwrite business for certain of its clients.

Reputational Risk

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, 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. We believe we maintain strong oversight and control through the deployment of our internal Group-wide Corporate Governance Guidelines and Code of Conduct and Business Ethics and associated policies and procedures. The Company has in place a Whistle Blower Procedure that encourages proactive reporting of illegal or unethical behaviors. It is the Company's policy to ensure that all employees are aware of and have access to the Company whistle blower hotline for the purpose of reporting any illegal or unethical act on a confidential, anonymous basis. Such reports may also address any concerns regarding financial statement or other disclosures, accounting, internal accounting or disclosure controls, auditing matters or violations of the Company's Code of Conduct and Business Ethics. Although we have in place systems and controls designed to comply with applicable laws and regulations (including continuous education and training programs), there is a risk that those systems and controls will not always be effective to achieve full compliance, as those laws and regulations are interpreted by the relevant authorities. 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, reputational consequences, and other sanctions, all of which could damage our business or reputation. Such damage could have a material adverse effect on our financial condition and results of operations.

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

We value constructive input from investors and regularly engage in dialogue with our shareholders regarding strategy and performance. Our Board and management team are committed to acting in the best interests of all of our shareholders. 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.

Campaigns by activist shareholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value by means of financial restructuring, increased debt, special dividends, stock repurchases, sales of assets or other 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 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.

From time to time, as was the case during 2019, we may be subject to activities initiated by activist shareholders. Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, and could divert the attention of our Board and employees from the management of our operations and the pursuit of our business strategies. As a result, activist shareholder campaigns could adversely affect our business, results of operations, financial condition and/or share price.

We are subject to the impact of Environmental, Social & Governance (ESG) indices prepared by a range of rating agencies which may adversely characterize our business strategy and approach to sustainability.

We recognize the increasing influence of investors through measures such as ESG (environmental, social and governance) indices, and other stakeholders through initiatives such as the TCFD, are increasingly focused on organizations' approach to corporate responsibility. We recognize this trend could impact our ability to maintain support from our key stakeholders and hence access capital in the medium term. Argo Group has established a sustainability program to enable it to respond appropriately. As part of our membership of ClimateWise, Argo Managing Agency has formally registered its support for the TCFD recommendations and we continue to work towards achieving these goals. During 2019 we established a Board-approved Responsible Investment Policy and signed up to the United Nations Principles of Responsible Investment (PRI).

The Argo Group CRO is responsible for coordinating sustainability initiatives, including periodic internal reporting. The CRO chairs a cross-functional SWG which meets on a quarterly basis. The SWG receives a detailed threat and opportunity analysis of the major Sustainability risks facing the organization every 6 months and escalates key issues to the ERM steering committee. The CRO reports material Sustainability related issues to the Board Risk & Capital Committee on a quarterly basis as required.

Argo's Clean Energy Risk Solutions ("CERS") team is an example of a proactive action in developing and distributing insurance and risk financing solutions related to clean technologies that are intended to reduce the overall carbon footprint. CERS provides long-term performance and technology insurance products in support of solar power, thermal bioenergy (gasification) and biomass (digester), fuel cell, battery storage and 'smart' energy efficiency applications, among others.

Regulatory and Litigation Risks

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

Legal and Regulatory Risk means the risk arising from our (a) failure to comply with statutory or regulatory obligations; (b) failure to comply with our Bye-Laws; or (c) 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.

The outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation related to our business operations, 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.

In May 2019, the Company received a subpoena from the SEC seeking documents primarily with respect to the Company's disclosure of certain compensation-related perquisites received by the Company's former CEO, Mark E. Watson III. This subpoena prompted the Company to conduct an extensive investigation, which included the engagement of outside counsel and a forensic auditor, to review Mr. Watson's use of corporate aircraft, his travel and entertainment expenditures, and any other amounts paid by, or benefits provided by, the Company at his request or on his behalf from 2014-2019. The Company has incurred substantial costs associated with the investigation and may continue to incur costs until the SEC investigation is resolved. The Company continues to fully cooperate with the SEC's investigation, but the ultimate result of the investigation and its impact on the Company remains uncertain.

Regulatory constraints may restrict our ability to operate our business.

General Regulatory Constraints

Restrictions on Ownership

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.

Except as provided below, shareholders have one vote for each common share held by them and are entitled to vote at all meetings of shareholders. However, for so long as the shares of a shareholder are treated as "controlled shares" (as determined under section 958 of the Internal Revenue Code) of any U.S. Person (that owns shares directly or indirectly through non-U.S. entities) and such controlled shares constitute 9.5% or more of the votes conferred by our issued shares, the voting rights with respect to the controlled shares of such U.S. Person, which we refer to as a 9.5% U.S. Shareholder, will be limited, in the aggregate, to a voting power of less than 9.5% under a formula specified in our Bye-Laws. The formula is applied repeatedly until the voting power of all 9.5% U.S. Shareholders has been reduced to less than 9.5%. In addition, our Board may limit a shareholder's voting rights where it deems it appropriate to do so to (i) avoid the existence of any 9.5% U.S. Shareholder and (ii) avoid certain material adverse tax, legal or regulatory consequences to Argo Group, any of its subsidiaries or any direct or indirect shareholder or its affiliates. "Controlled shares" include, among other things, all shares of Argo Group that such U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the Internal Revenue Code).

Under these provisions, certain shareholders may have their voting rights limited, while other shareholders may have voting rights in excess of one vote per share. Moreover, these provisions could have the effect of reducing the votes of certain shareholders who would not otherwise be subject to the 9.5% limitation by virtue of their direct share ownership.

Regulation of Subsidiaries

General

Our insurance and reinsurance 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 or reinsurance 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.

Where the Argo Group has supervised operations changes in local statutes, regulations and policies could generally result in restrictions on our ability to pursue our business plans, strategic objectives, execute our investment strategy and fulfill other shareholders' obligations.

Argo Group International Holdings, Ltd

Argo Group is supervised by the BMA as an Insurance Group, and as such, is 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.

Argo Group's Bermuda Subsidiaries

Argo Re is registered as a Class 4 Bermuda insurance company and is subject to regulation and supervision in Bermuda by the BMA.

Ariel Re Bda Ltd. is licensed by the BMA pursuant to Section 10 of the Insurance Act as an Insurance Agent and as an Insurance Manager.

Argo Group's 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. Finally, 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.

Our insurance subsidiaries are subject to the supervision and regulation of each of the states in which they are domiciled and do business. Such supervision and regulation is designed to protect our policyholders rather than our shareholders. These regulations are generally administered by a department of insurance in each state and relate to various aspects of our business. State insurance departments also conduct periodic examinations of the affairs of insurance and reinsurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may adversely affect or inhibit our ability to achieve some or all of our business objectives.

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.

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.

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

Since 2014 the regulatory supervision over of Argo Managing Agency Limited, the managing agent of S1200, S1910 & SPA6117 has been performed by PRA and the FCA. The operations of S1200, S1910 & SPA6117 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 Syndicates, possibly resulting in an adverse effect on the financial condition and operating results of the Syndicates.

Argo Direct Limited is authorized and regulated by the FCA and provides insurance intermediation services to S1200 and ArgoGlobal SE.

Other Applicable Laws

Lloyd's worldwide insurance and reinsurance 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. Material changes in governmental requirements and laws could have an adverse effect on Lloyd's and its member companies, including S1200, S1910 and SPA6117.

Malta Financial Services Authority (MFSA) & Swiss Financial Market Supervisory Authority (FINMA)

ArgoGlobal SE, domiciled in Malta, is authorized by the MFSA to carry on the business of insurance under the Insurance Business Act (Cap. 403). In addition, ArgoGlobal SE is subject to regulation by the E.U. and its third party branch office in Switzerland is subject to regulation by FINMA.

Institute for the Supervision of Insurance (IVASS)

ArgoGlobal Assicurazioni, domiciled in Italy, is authorized by IVASS to carry on the business of insurance under ISVAP n. 2581 of the 21.1.2008. ArgoGlobal Assicurazioni is enrolled in the Register of Insurance Companies under n. 1.00163. In addition, ArgoGlobal Assicurazioni is subject to regulation by the E.U.

Brazil's Superintendência de Seguros Privados, Superintendence of Private Insurance (SUSEP)

Argo Seguros, domiciled in Brazil, is authorized to operate as a licensed insurer by the SUSEP per Ordinance nº 4.316 issued in 2011. Brazil's insurance regulatory regime contains provisions which restrict the amount of reinsurance a domestic insurer may place with reinsurers and places limits on the amount of reinsurance that may be placed with affiliates. Such restrictions constrain the size and category of risks that Argo Seguros can retain and require that Argo Seguros be capitalized at a level that is comparatively higher than in other jurisdictions in which Argo Group maintains its insurer and/or reinsurer subsidiaries. Failure to manage the impact of such restrictions within its business plan, as well as changes in the applicable laws, rules and supplementing resolutions, could possibly result in an adverse effect on Argo Seguros' financial condition and operating results.

Argo Re Ltd. is registered by SUSEP as an admitted reinsurer under the applicable laws and regulations of Brazil and is authorized to carry on such business through its representative office Argo Re Escritório in São Paulo, Brazil, per Ordinance nº 5.795. Changes in the applicable laws and regulations could possibly result in an adverse effect on Argo Re, Ltd.'s financial condition and operating results.

Dubai Financial Services Authority (DFSA)

ArgoGlobal Underwriting (Dubai) Ltd. is licensed to operate as an Authorized Firm (Category 4) to carry on financial services in the area of "insurance management" and "insurance intermediation."

Monetary Authority of Singapore (MAS)

ArgoGlobal Underwriting Asia Pacific Pte. Ltd. is licensed by the MAS to participate on the Lloyd's Asia Scheme and provide insurance intermediation services to S1200.

Insurance Agents Registration Board (IARB)

ArgoGlobal Services (Hong Kong) Limited is registered with the IARB and provides insurance intermediation services to S1910.

Special Selected Risk Factors

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. Impairment charges could materially affect our financial results in the period in which they are recognized.

As of December 31, 2019, goodwill and other intangible assets represented approximately 14% of shareholders' equity. During the year ended December 31, 2019, we recorded a $15.6 million goodwill impairment charge related to our European reporting unit. See Note 1, "Business and Significant Accounting Policies - Goodwill and Intangible Assets" in the Notes to the Consolidated Financial Statements for additional information related to this impairment of goodwill.

We continue to monitor relevant internal and external factors and their potential impact on the fair value of our reporting segments, and if required, we will update our impairment analysis.

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.

Restrictions in Bye-Laws on Stock Transfers

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.

Restrictions on Voting Rights

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.

Election of Board of Directors

Our Bye-Laws currently provide for a classified board of directors. The directors of the class elected at each annual general meeting hold office for a term of three years, with the term of each class expiring at successive annual general meetings of shareholders. However, as announced in August 2019, the Board intends to present a proposal at the 2020 annual meeting of shareholders to amend the Company's Bye-Laws to declassify the Board.

Under our Bye-Laws, the vote of two-thirds of the outstanding shares entitled to vote and approval of a majority of the Board are required to amend Bye-Laws regarding appointment and removal of directors, indemnification of directors and officers, directors' interests and procedures for amending Bye-Laws.

Insurance laws and other applicable regulations regarding change of control

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.

Restrictions on Third-Party Takeovers

The provisions described above 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.

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 1981 of Bermuda, 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.

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.

Tax Risks Associated with Argo Group

U.S. Tax Risks

Argo Group and Argo Group's non-U.S. subsidiaries may be subject to U.S. tax, which may have a material adverse effect on our financial condition and operating results.

Argo Group and Argo Group's non-U.S. subsidiaries have operated and intend to continue to operate in a manner that should not cause them to be treated as engaged in a trade or business in the U.S. (and, in the case of those non-U.S. companies qualifying for treaty protection, in a manner that should not cause any of such non-U.S. subsidiaries to be doing business through a permanent establishment in the U.S.) and, thus, we believe that we and our non-U.S. subsidiaries should not be subject to U.S. federal income taxes or branch profits tax (other than withholding taxes on certain U.S. source investment income and excise taxes on insurance or reinsurance premiums). However, because there is uncertainty as to the activities that constitute being engaged in a trade or business within the U.S., and as to what constitutes a permanent establishment under the applicable tax treaties, there can be no assurances that the United States Internal Revenue Service ("IRS") will not contend successfully that one or more of the non-U.S. subsidiaries is engaged in a trade or business, or carrying on business through a permanent establishment, in the U.S.

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

Under Section 845 of the Internal Revenue 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. No regulations have been issued under Section 845 of the Internal Revenue Code. Accordingly, the application of such provisions is uncertain and we cannot predict what impact, if any, such provisions may have on us and our subsidiaries.

Changes in U.S. federal income tax law could be retroactive and may subject us or our non-U.S. subsidiaries to U.S. federal income taxation.

The Tax Cuts and Jobs Act of 2017 (“TCJA”) was passed by the U.S. Congress and signed into law on December 22, 2017. Part of the new law, amongst other things, is intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the U.S. but have certain U.S. affiliates by introducing a new minimum Base Erosion and Anti-abuse Tax (“BEAT”) on the U.S. affiliates. A significant affiliated company adjustment utilized to compute the BEAT liability is in regards to reinsurance premiums paid by U.S. affiliates to non-U.S. affiliates. Although we are currently unable to predict the ultimate impact of the TCJA on our business and operations, the tax liability of the U.S taxpaying affiliates may increase as a result of affiliated reinsurance transactions and could adversely impact our results.

It is possible that broader-based or new legislative proposals could emerge in the future that could have an adverse effect on us or our shareholders. The tax laws and interpretations thereof are subject to change, possibly on a retroactive basis. We are not able to predict if, when or in what form such changes will be provided and whether such guidance will be applied on a retroactive basis.

Bermuda Tax Risks

Argo Group and Argo Group’s 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.

U.K. Tax Risks

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

We intend to operate in such a manner so that none of our companies other than those companies incorporated in the United Kingdom should be resident in the U.K. for tax purposes or have a permanent establishment in the U.K. We expect that none of our companies other than Syndicate 1200 and Syndicate 1910 should be subject to U.K. taxation. However, since applicable law and regulations do not conclusively define the activities that constitute conducting business in the U.K. through a permanent establishment, the U.K. Inland Revenue might contend successfully that one or more of our other companies is conducting business in the U.K. through a permanent establishment in the U.K.

Any arrangements between U.K.-resident entities of Argo Group and other entities of Argo Group are subject to the U.K. transfer pricing regime. Consequently, if any agreement between a U.K. resident entity of Argo Group and any other Argo Group entity (whether that entity is resident in or outside of the U.K.) is found not to be on arm’s length terms and as a result a U.K. tax advantage is being obtained, an adjustment will be required to compute U.K. taxable profits as if such an agreement were on arm’s length terms. Any transfer pricing adjustment could adversely impact the tax charge incurred by the relevant U.K. resident entities of Argo Group.

Irish Tax Risks

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, unless reduced by treaty. The income tax treaty between the Republic of Ireland and the United States ("the Irish Treaty") reduces the rate of withholding tax on certain dividends to 5%. Were the IRS to contend successfully that Argo Financial Holding (Ireland) UC ("Argo Ireland") is not eligible for benefits under the Irish Treaty, any dividends paid by Argo Group's U.S. subsidiaries to Argo Ireland would be subject to the 30% withholding tax. Such a result could have a material adverse effect on our financial condition and operating results.

Tax Risks Associated with Our Shareholders

If you are a U.S. non-corporate shareholder, dividends you receive from us will not be eligible for reduced rates of tax upon enactment of certain legislative proposals.

Legislation has been introduced in the U.S. Congress that would, if enacted, deny the applicability of reduced rates to dividends paid by any corporation organized under the laws of a foreign country that does not have a comprehensive income tax system, such as Bermuda. Therefore, depending on whether, when and in what form this legislative proposal is enacted, we cannot assure you that any dividends paid by us in the future would qualify for reduced rates of tax.

If we are classified as a passive foreign investment company ("PFIC"), your taxes could increase.

In order to avoid significant potential adverse U.S. federal income tax consequences for any U.S. person who owns our common shares, we must not constitute a PFIC in any year in which such U.S. person is a shareholder. Those consequences could include increasing the tax liability of the investor, accelerating the imposition of the tax and causing a loss of the basis step-up on the death of the investor. In general, a non-U.S. corporation is a passive foreign investment company for a taxable year if 75% or more of its income constitutes passive income or 50% or more of its assets produce passive income. Passive income generally includes interest, dividends and other investment income. However, passive income does not include income derived in the active conduct of an insurance business by a company that is predominantly engaged in an insurance business. This exception is intended to ensure that income derived by a bona fide insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business. The TCJA modified and limits the potential application of this exception by a non-U.S. insurance company, ultimately applying a more objective test. To now qualify for this exception, a qualifying insurance entity is one that would be taxed as an insurance company if it were a U.S. corporation and maintains insurance liabilities of more than 25% of such company's assets for a taxable year (or maintains insurance liabilities that at least equal or exceed 10% of its assets and it satisfies a facts and circumstances test that requires showing that the failure to exceed the 25% threshold is due to run-off or rating agency circumstances). The IRS issued proposed regulations intended to clarify the application of the PFIC rules to non-U.S. insurance companies, but these have not been adopted in final form and will not be effective until such time. We believe that we should not be, and currently do not expect to become, a PFIC for U.S. federal income tax purposes; however, we cannot assure you that we will not be deemed a PFIC by the IRS. We cannot predict what impact, if any, such guidance would have on persons subject to U.S. federal income tax that directly or indirectly own our shares.

If you acquire 10% or more of our shares and we or one or more of our non-U.S. subsidiaries is classified as a controlled foreign corporation ("CFC") your taxes could increase.

Each U.S. person who, directly, indirectly or through attribution rules, owns 10% or more of our common shares should consider the possible application of the controlled foreign corporation rules.

Each U.S. 10% shareholder of a controlled foreign corporation on the last day of the controlled foreign corporation's taxable year generally must include in its gross income for U.S. federal income tax purposes its pro-rata share of the controlled foreign corporation's subpart F income, even if the subpart F income has not been distributed. In general, a non-U.S. insurance company is treated as a controlled foreign corporation only if such U.S. 10% shareholders collectively own more than 25% of the total combined voting power or total value of the Company's capital stock for an uninterrupted period of 30 days or more during any year. We believe that, because of the anticipated dispersion of share ownership among holders and because of the restrictions in our Bye-Laws on transfer, issuance or repurchase of our common shares, shareholders will not be subject to treatment as U.S. 10% shareholders of a controlled foreign corporation. In addition, because under our Bye-Laws no single shareholder is permitted to exercise 9.5% or more of the total combined voting power, unless such provision is waived by the unanimous consent of the Board, we believe that our shareholders should not be viewed as U.S. 10% shareholders of a controlled foreign corporation for purposes of the controlled foreign corporation rules. Notwithstanding the above, it is possible that the CFC rules could be construed by the IRS in the future, or amended, in such a way as to apply to our shareholders.

We cannot assure you that we or our non-U.S. subsidiaries will not be classified as CFCs. We believe that because of the anticipated dispersion of our common share ownership, provisions in our organizational documents that limit voting power and other factors, no United States person who (i) owns our shares directly or indirectly through one or more non-U.S. entities and (ii) has not received a waiver from our Board of provisions in our organizational documents that limit voting power, should be treated as owning (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total voting power of all classes of the shares of Argo Group or any of our non-U.S. subsidiaries.

Due to the attribution provisions of the Internal Revenue Code regarding determination of beneficial ownership, there is a risk that the IRS could assert that Argo Group or one or more of our non-U.S. subsidiaries are CFCs and that U.S. holders of our shares who own 10% or more of the value of our shares should be treated as owning 10% or more of the total voting power of Argo Group and/or our non-U.S. subsidiaries notwithstanding the reduction of voting power discussed above.

If one or more of our non-U.S. subsidiaries is determined to have related person insurance income ("RPII"), you may be subject to U.S. taxation on your pro rata share of such income.

If the RPII of any of our non-U.S. insurance subsidiaries were to equal or exceed 20% of such company's gross insurance income in any taxable year and direct or indirect insureds (and persons related to such insureds) own, directly or indirectly through entities, 20% or more of our voting power or value, then a U.S. person who owns our shares (directly or indirectly through non-U.S. entities) on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes such person's pro rata share of such non-U.S. insurance subsidiary's RPII for the entire taxable year, determined as if such RPII were distributed proportionately only to U.S. persons at that date regardless of whether such income is distributed. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization may be treated as unrelated business taxable income. The amount of RPII earned by the non-U.S. insurance subsidiaries (generally, premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of common shares or any person related to such holder) will depend on a number of factors, including the identity of persons directly or indirectly insured or reinsured by the non-U.S. insurance subsidiaries. We believe that the gross RPII of each non-U.S. insurance subsidiary did not in prior years of operation and is not expected in the foreseeable future to equal or exceed 20% of such subsidiary's gross insurance income. Additionally, we do not expect the direct or indirect insureds of our non-U.S. insurance subsidiaries (and persons related to such insureds) to directly or indirectly own 20% or more of either the voting power or value of our shares. No assurance can be given that this 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.

The RPII rules provide that if a U.S. person disposes of shares in a non-U.S. insurance corporation in which U.S. persons own 25% or more of the shares (even if the amount of RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally 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 (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 amount of shares owned by the U.S. person. These RPII rules should not apply to dispositions of our shares because we will not ourselves be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury Department in final regulations, and regulations interpreting the RPII provisions of the Internal Revenue Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of RPII by the IRS, the courts or otherwise, might have retroactive effect. The U.S. Treasury Department has authority to impose, among other things, additional reporting requirements with respect to RPII. Accordingly, the meaning of the RPII provisions and application of those provisions to us and our non-U.S. subsidiaries are uncertain.

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

A U.S. tax-exempt organization may recognize unrelated business taxable income if a portion of our insurance income is allocated to the organization. In general, insurance income will be allocated to a U.S. tax-exempt organization if either we are a CFC and the tax-exempt shareholder is a 10% U.S. Shareholder or there is RPII and certain exceptions do not apply. Although we do not believe that any U.S. persons should be allocated such insurance income, we cannot be certain that this will not occur. U.S. tax-exempt investors should consult their tax advisors as to the U.S. tax consequences of any allocation of our insurance income.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease office space in Bermuda, where our principal executive offices are located. We and our subsidiaries also lease office space in the United States, United Kingdom, Italy, Belgium, Brazil, the United Arab Emirates, Switzerland, 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.

Item 3. Legal Proceedings

SEC Investigation

In May 2019, the Company received a subpoena from the SEC seeking documents primarily with respect to the Company's disclosure of certain compensation-related perquisites received by the Company's former CEO, Mark E. Watson III, from 2014 through 2019 (the "Review Period"). This subpoena prompted the Company to conduct an extensive investigation, which included the engagement of outside counsel and a forensic auditor, to review the Company's compensation-related perquisites during the Review Period. We are continuing to fully cooperate with the SEC's investigation and do not believe that the amounts involved are material to our financial position or results of operations.

Other

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 NYSE under the symbol “ARGO”.

February 26, 2020, the closing price of our common stock was $60.88.

Holders of Common Stock

The number of holders of record of our common stock as of February 26, 2020 was 1,242.

Dividends

On February 18, 2020, 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 16, 2020 to our shareholders of record on March 2, 2020.

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.

We currently expect to continue paying comparable cash dividends to shareholders. 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, 2019, 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, 2019. Since the inception of all the repurchase authorizations through December 31, 2019, we have repurchased 11,315,889 shares of our common stock at an average price of $40.22 per share for a total cost of $455.1 million. These shares are being held as treasury shares in accordance with the provisions of the Bermuda Companies Act 1981. As of December 31, 2019, availability under the 2016 Repurchase Authorization for future repurchases of our common shares was $53.3 million.

The following table provides information with respect to shares of our common stock that were repurchased or surrendered during the three months ended December 31, 2019:

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, 2019	1,372	$ 66.77	—	$ 53,281,805
November 1 through November 30, 2019	—	$ —	—	$ 53,281,805
December 1 through December 31, 2019	36,992	$ 64.36	—	$ 53,281,805
Total	38,364		—	$ 53,281,805

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, 2019, we received 38,364 shares of our common stock, with an average price paid per share of $65.45, 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, 2019, we received 189,700 shares of our common stock, with an average price paid per share of $72.57, 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, 2014 through December 31, 2019 with the performance of the NYSE Composite Index and the SNL Property & Casualty Insurance Index. The graph plots the changes in value of an initial $100 investment 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.

	For the Years Ended December 31,					
Index	2014	2015	2016	2017	2018	2019
Argo Group International Holdings, Ltd.	$ 100.00	$ 120.38	$ 148.05	$ 140.91	$ 179.90	$ 179.11
NYSE Composite Index	$ 100.00	$ 95.91	$ 107.36	$ 127.46	$ 116.06	$ 145.66
SNL Insurance P&C Index	$ 100.00	$ 103.44	$ 122.08	$ 139.58	$ 134.19	$ 157.47

Item 6. Selected Financial Data

The following selected financial data is derived from our consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," included under Item 7 and the consolidated financial statements and notes thereto, included in Item 8, "Financial Statements and Supplementary Data."

	For the Years Ended December 31,				
(in millions, except per share amounts)	2019	2018	2017	2016	2015
Statement of Operations Data					
Gross written premiums	$ 3,129.2	$ 2,955.2	$ 2,697.2	$ 2,164.8	$ 2,012.1
Earned premiums	1,729.5	1,731.7	1,572.3	1,410.8	1,371.9
Net investment income	151.1	133.1	140.0	115.1	88.6
Total revenue	1,969.7	1,801.8	1,774.1	1,576.5	1,506.8
Net (loss) income	(8.4)	63.6	50.3	146.7	163.2
Net (loss) income per diluted common share [1]	(0.25)	1.83	1.42	4.13	4.52
Cash dividends declared per common share [1]	1.24	1.08	0.94	0.75	0.63
Balance Sheet Data					
Invested assets	$ 5,099.4	$ 4,787.0	$ 4,742.9	$ 4,320.3	$ 4,108.4
Total assets	10,514.5	9,558.2	8,764.0	7,205.0	6,625.6
Reserves for losses and loss adjustment expenses	5,157.6	4,654.6	4,201.0	3,350.8	3,123.6
Other indebtedness	181.3	183.4	184.5	55.4	55.2
Junior subordinated debentures	257.4	257.0	256.6	172.7	172.7
Senior unsecured fixed rate notes	140.0	139.8	139.6	139.5	139.3
Shareholders' equity	1,781.1	1,746.7	1,819.7	1,792.7	1,668.1
Other Select Data					
Cash provided by operating activities	$ 183.3	$ 301.3	$ 165.0	$ 182.0	$ 283.2
Book value per share [1]	51.80	51.43	53.46	51.94	47.23
Combined ratio	109.1%	97.9%	107.2%	96.2%	95.0%

[1] Per share amounts adjusted for the effects of the 15% stock dividend declared in February 2018 and for the 10% stock dividends declared in May 2016 and February 2015, respectively. Book value per share is calculated by taking total shareholders' equity divided by total issued shares less treasury shares.

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

The following discussion should be read in conjunction with the consolidated financial statements and related notes beginning on page F-1. 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."

Consolidated Results of Operations

For the year ended December 31, 2019, we reported a net loss of $8.4 million, or $0.25 per fully diluted share. For the year ended December 31, 2018, we reported net income of $63.6 million, or $1.83 per fully diluted share. For the year ended December 31, 2017 we reported net income of $50.3 million, or $1.42 per fully diluted share.

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

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Gross written premiums	$ 3,129.2	$ 2,955.2	$ 2,697.2
Earned premiums	$ 1,729.5	$ 1,731.7	$ 1,572.3
Net investment income	151.1	133.1	140.0
Fee and other income	9.1	9.0	22.5
Net realized investment gains (losses):			
Net realized investment gains	120.8	33.1	39.3
Change in fair value of equity securities	(40.8)	(105.1)	—
Net realized investment gains (losses)	80.0	(72.0)	39.3
Total revenue	$ 1,969.7	$ 1,801.8	$ 1,774.1
Income before income taxes	$ 0.2	$ 67.7	$ 39.9
Income tax provision (benefit)	8.6	4.1	(10.4)
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3
Loss ratio	70.6%	60.1%	66.8%
Expense ratio	38.5%	37.8%	40.4%
Combined ratio	109.1%	97.9%	107.2%

	December 31, 2019	December 31, 2018
Book value per common share	$ 51.80	$ 51.43

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

	For the Years Ended December 31,					
	2019		2018		2017	
(in millions)	Amount	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]
Earned premiums, as reported	$ 1,729.5		$ 1,731.7		$ 1,572.3	
Less:						
Catastrophe-related premium adjustments - outward	(0.8)		(9.0)		(17.9)	
Earned premiums, net of catastrophe-related adjustments	$ 1,730.3		$ 1,740.7		$ 1,590.2	
Losses and loss adjustment expenses, as reported	$ 1,220.7	70.6 %	$ 1,040.8	60.1 %	$ 1,050.2	66.8 %
Less:						
(Unfavorable) favorable prior accident year loss development	(138.1)	(8.0)%	18.0	1.0 %	8.2	0.5 %
Catastrophe losses [2]	(33.6)	(2.0)%	(52.9)	(3.3)%	(127.2)	(8.7)%
Current accident year non-catastrophe losses	$ 1,049.0	60.6 %	$ 1,005.9	57.8 %	$ 931.2	58.6 %
Non-catastrophe expense ratio		38.5 %		37.6 %		40.0 %
Current accident year non-catastrophe combined ratio		99.1 %		95.4 %		98.6 %

[1] For purposes of calculating the percentage points impact on the loss, expense and combined ratios, earned premiums were adjusted to exclude outward reinstatement and other catastrophe-related premium adjustments of $0.8 million, $9.0 million and $17.9 million the years ended December 31, 2019, 2018 and 2017.

[2] Catastrophe losses' percentage point impact are calculated as the difference between the reported combined ratio and the combined ratio excluding incurred catastrophe losses and associated reinstatement and other catastrophe-related premium adjustments.

Gross Written and Earned Premiums

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

	For the Years Ended December 31,					
	2019		2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 789.6	$ 300.4	$ 748.9	$ 337.1	$ 689.3	$ 337.7
Liability	1,270.8	805.5	1,236.3	807.5	1,109.4	698.8
Professional	524.3	274.2	425.0	234.9	346.2	212.2
Specialty	544.5	349.4	545.0	352.2	552.3	323.6
Total	$ 3,129.2	$ 1,729.5	$ 2,955.2	$ 1,731.7	$ 2,697.2	$ 1,572.3

Gross written premiums increased $174.0 million, or 5.9%, for the year ended December 31, 2019, as compared to the year ended December 31, 2018. Our U.S. Operations experienced growth in all major lines of business during 2019, as its gross written premiums increased $167.1 million, or 9.9%, during the comparative periods. International Operations gross written premiums increased a modest $7.0 million, or 0.6%, in 2019 as compared to 2018, primarily due to growth in our Professional, Property and Liability lines, partially offset by reductions in Specialty lines. Both U.S. Operations and International Operations saw overall rate increases for the year ended December 31, 2019.

Consolidated earned premiums were relatively flat for the comparative periods, decreasing $2.2 million, or 0.1%. Earned premiums in our U.S. Operations increased $40.8 million, or 3.8%, while International Operations' earned premiums decreased $42.9 million, or 6.6%. In both segments, we have decreased our percentage of net retained premiums (net written premiums as a percentage of gross written premiums), and, as a result, our net earned premiums, due in large part to an increase in the ongoing strategic use of reinsurance programs, most notably within Property lines, as part of overall risk management initiatives. We also increased our use of third-party capital in International Operations.

Gross written and earned premiums increased for the year ended December 31, 2018 as compared to the same period ended 2017, driven by the growth in all major lines of our U.S. Operations, led by our Liability and Professional lines. International Operations experienced increases in both gross written and earned premiums during 2018 as compared to 2017, primarily due to growth in our Property, Liability and Professional lines, as well as the timing of the Ariel Re acquisition. Ariel Re has a significant property contract that is subject to renewal in January of each year. The Ariel Re transaction closed in February 2017; as such the January 2017 gross written premiums for Ariel Re is not included while the 2018 renewal is included in our gross written premiums.

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

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

Net Investment Income

The increase in consolidated net investment income for the year ended December 31, 2019 as compared to the same period in 2018 was primarily due to a $17.9 million increase in net investment income from our core portfolio due to growth in our invested asset base and higher investment yields. Net investment income from our alternative investment portfolio was relatively flat, increasing $0.1 million for the year ended December 31, 2019 as compared to the same period in 2018.

The decrease in consolidated net investment income for the year ended December 31, 2018 as compared to the same period in 2017 was primarily due to a $29.7 million decrease in the net investment income of our alternative investment portfolio, partially offset by a $22.8 million increase in the net investment income of our core portfolio. The decline in the alternative investment portfolio was due to the volatility experienced in the securities markets primarily during the fourth quarter of 2018, as well as the impact of a $12.2 million pre-tax net investment gain recognized in 2017 related to a sale process initiated by an equity investee. The increase in net investment income from our core portfolio was primarily due to higher asset balances and increased investment yields.

Total invested assets at December 31, 2019 were $4,940.8 million, net of $158.6 million of invested assets attributable to our Syndicate 1200 and 1910 trade capital providers. Total invested assets at December 31, 2018 were $4,653.6 million, net of $133.4 million of invested assets attributable to our Syndicate 1200 and 1910 trade capital providers. Total invested assets at December 31, 2017 were $4,612.1 million, net of $130.8 million of invested assets attributable to Syndicate 1200's trade capital providers.

Net Realized Investment Gains/Losses

Consolidated net realized investment gains for the year ended December 31, 2019 consisted of $142.0 million in realized gains from the sale of invested assets, including $129.0 million from the sale of equity securities. The majority of these asset sales were recognized during the fourth quarter of 2019, primarily as a result of a shift in capital management and tax planning strategies, and were partially offset by an associated $40.8 million decrease in the fair value of equity securities. During the year ended December 31, 2019, we recognized $20.3 million in other-than-temporary impairment losses related to fixed maturity securities. The remaining $0.9 million net realized investment loss related to net foreign currency exchange losses.

Consolidated net realized investment gains for the year ended December 31, 2018 included a $105.1 million decrease in the fair value of equity securities. The remaining $33.1 million net realized investment gain consisted of $38.2 million in realized gains primarily from the sale of equity securities and $2.5 million of foreign currency exchange gains, including $2.7 million on our forward currency forward contracts. Additionally, for the year ended December 31, 2018, we recognized $7.6 million in other-than-temporary impairment losses within our fixed maturity and other invested asset portfolios.

Consolidated net realized investment gains for the year ended December 31, 2017 consisted of $60.1 million in realized gains primarily from the sale of fixed maturity and equity securities. Partially offsetting these realized gains was $17.6 million of realized foreign currency exchange losses, including $8.6 million on our foreign currency forward contracts and $9.0 million on our fixed maturity and equity securities portfolios, as well as $0.7 million of losses from other invested assets, primarily overseas deposits. Additionally, for the year ended December 31, 2017, we recognized a $2.5 million other-than-temporary impairment loss within our equity and fixed maturity portfolios.

Loss and Loss Adjustment Expense

Consolidated losses and loss adjustment expenses were $1,220.7 million, $1,040.8 million and $1,050.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. The consolidated loss ratio for the year ended December 31, 2019 was 70.6%, compared to 60.1% for the same period in 2018, driven by higher net unfavorable prior-year reserve development in 2019, as compared to net favorable prior-year reserve development in 2018 (9.0 percentage points), as well as an increased current accident year non-catastrophe loss ratio (2.8 percentage points), partially offset by decreased catastrophe losses (1.3 percentage points).

The consolidated loss ratio for the year ended December 31, 2018 was 60.1%, compared to 66.8% for the same period in 2017, driven by decreased catastrophe losses (5.4 percentage points), improvement in the current accident year non-catastrophe loss ratio (0.8 percentage points), as well as higher net favorable prior-year reserve development in 2018 compared to 2017 (0.5 percentage points). In connection with the acquisition and integration of Ariel Re in 2017, we made a number of one-time catastrophe and risk-management reinsurance purchases. These 2017 purchases reduced earned premiums by $20.8 million, resulting in a 0.7 percentage point increase in the 2017 loss ratio.

The following table summarizes the above referenced prior-year loss reserve development for the year ended December 31, 2019 with respect to net loss reserves by line of business as of December 31, 2018. Our loss and loss adjustment expenses, including the prior-year loss reserve development shown in the following table, are further discussed by reporting segment under the heading “Segment Results” below.

(in millions)	Net Reserves 2018	Net Reserve Development (Favorable)/ Unfavorable	Percent of 2018 Net Reserves
General liability	$ 1,306.0	$ 102.4	7.8 %
Workers compensation	309.3	6.5	2.1 %
Syndicate liability	195.6	28.3	14.5 %
Commercial multi-peril	91.2	7.7	8.4 %
Reinsurance - nonproportional assumed property	172.2	(8.1)	(4.7)%
Fidelity/Surety	56.9	(21.7)	(38.1)%
Syndicate Specialty	39.2	8.8	22.4 %
All other lines	392.5	14.2	3.6 %
Total	$ 2,562.9	$ 138.1	5.4 %

In determining appropriate reserve levels for the year ended December 31, 2019, 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 loss and loss adjustment expenses were $5,157.6 million (including $238.5 million of reserves attributable to our Syndicate 1200 and 1910 trade capital providers), $4,654.6 million (including $226.2 million of reserves attributable to our Syndicate 1200 and 1910 trade capital providers) and $4,201.0 million (including $226.8 million of reserves attributable to Syndicate 1200’s trade capital providers) as of December 31, 2019, 2018 and 2017, respectively. Management has recorded its best estimate of loss reserves at each date based on current known facts and circumstances. Due to the significant uncertainties inherent in the estimation of loss reserves, there can be no assurance that future loss development, favorable or unfavorable, will not occur.

Underwriting, Acquisition and Insurance Expenses

Consolidated underwriting, acquisition and insurance expenses were $665.8 million, $654.7 million and $635.4 million for the years ended December 31, 2019, 2018 and 2017, respectively. The consolidated expense ratios were 38.5%, 37.8% and 40.4% for the years ended December 31, 2019, 2018 and 2017, respectively. The increase in expenses in 2019 compared to 2018 includes additional operating expenses of approximately $9 million related to costs associated with a reduction in workforce, an allowance for doubtful accounts related to our European business unit, and adjustments to underwriting expenses based on certain costs previously allocated to investment income and trade capital providers.

The improvement in 2018 compared to 2017 reflects the benefits of scale due to increased net earned premiums, including the favorable year-over-year impact of the aforementioned $20.8 million reduction in net earned premiums in 2017 related to one-time catastrophe and risk-management reinsurance purchases, as well as lower operating costs within the Reinsurance business unit of our International Operations due to expenses attributable to third-party capital providers. Partially offsetting these lower operating costs were the continued investments in people and technology in strategic growth areas of our business.

Interest Expense

Consolidated interest expense was $33.6 million, $31.6 million and $27.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. The increase in 2019 when compared to 2018 was attributable to increased short-term LIBOR rates concentrated during the first six months of 2019. The increase in 2018 was primarily attributable to increases in short-term LIBOR rates throughout the year ended December 31, 2018, as compared to the same period in 2017. Additionally, during 2018 we incurred a full twelve months of interest expense on the debt acquired as part of the February 6, 2017 Ariel Re acquisition and the $125.0 million term loan entered into during the first quarter of 2017 to help fund that transaction. Comparatively, these same debt instruments accrued interest at a lower rate and for less than the full twelve months during the year ended December 31, 2017.

Foreign Currency Exchange Gains/Losses

Consolidated foreign currency exchange gains were $9.6 million and $0.1 million for the years ended December 31, 2019 and December 31, 2018, respectively, as compared to losses of $6.3 million for the year ended December 31, 2017. The changes in the foreign currency exchange gains/losses were due to fluctuations of the U.S. Dollar, on a weighted average basis, against the currencies in which we transact our business.

For the year ended December 31, 2019, the foreign currency exchange gain was driven by the U.S. Dollar strengthening against the Euro and the Australian Dollar, partially offset by the U.S. Dollar weakening against British Pound and the Canadian Dollar. For the year ended December 31, 2018, the small foreign currency exchange gain was driven by the U.S. Dollar strengthening against the British Pound. For the year ended December 31, 2017, the foreign currency exchange losses were driven by the U.S. Dollar weakening against the British Pound, the Euro, the Canadian Dollar and the Australian Dollar.

Other Corporate Expenses

During the year ended December 31, 2019, we incurred substantial non-recurring costs associated with a number of activities that began with first quarter proxy solicitation efforts and shareholder engagement. The costs associated with these and other activities, which included responding to a subpoena from the SEC, a separation agreement with our former CEO, and exiting certain contractual obligations related to sponsorships, aviation and other corporate assets are recorded in the line item “Other corporate expenses” in the Company’s Consolidated Statements of (Loss) Income. For the year ended December 31, 2019, other corporate expenses were $37.6 million. There were no comparable costs incurred during the year ended December 31, 2018. All of these other corporate expenses have been excluded from the calculation of our expense ratio.

Impairment of Goodwill

During the year ended December 31, 2019, we recorded a $15.6 million impairment charge on the goodwill related to the acquisition of Ariscom. Management’s fourth quarter of 2019 analysis of the European reporting unit, which includes Ariscom, reflected an implied fair value which was below the reporting unit’s carrying value. Additionally, the European reporting unit failed to meet its operating plan during 2019. As such, the goodwill impairment charge was recorded during the fourth quarter of 2019, and is included in the results of our International Operations reporting segment.

Income Tax Provision

The consolidated provision for income taxes was $8.6 million for the year ended December 31, 2019, compared to $4.1 million for the year ended December 31, 2019, and an income tax benefit of $10.4 million for the year ended December 31, 2017. 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 Belgium, Brazil, Ireland, Italy, Malta, Switzerland, United Kingdom and United States operations. The consolidated effective tax rates were not meaningful, 6.1% and -26.1% for the years ended December 31, 2019, 2018 and 2017, respectively.

The increase in the effective tax rate for the year ended December 31, 2019 as compared to the same period in 2018 was primarily related to the change in concentration of jurisdictional mix of taxable income in 2019 compared to 2018. Additionally, the 2018 effective tax rate includes a favorable impact related to the new reporting requirement for the change in the fair value of our equity securities that was effective January 1, 2018, which lowered our pre-tax income by $105.1 million for the year ended December 31, 2018. The change in the fair value of equity securities for years prior to 2018 is not presented as a component of net income. The 2017 effective tax rate benefited from the impact of the U.S. tax reform legislation enacted during that period.

Segment Results

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

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

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

- **Property** includes both property insurance and reinsurance products. Insurance products cover commercial properties primarily in North America with some international covers. Reinsurance covers underlying exposures located throughout the world, including the United States. These offerings include coverages for man-made and natural disasters.
- **Liability** includes a broad range of primary and excess casualty products for risks on both an admitted and non-admitted basis in the United States. Internationally, Argo Group underwrites worldwide casualty risks primarily exposed in the United Kingdom, Canada, and Australia.
- **Professional** includes various professional lines products including errors & omissions, management liability (including directors and officers) and cyber liability coverages.
- **Specialty** includes niche insurance coverages including marine & energy, accident & health and surety product offerings.

In evaluating the operating performance of our segments, we focus on core underwriting and investing results before consideration of realized gains or losses from the sales of investments. Intersegment transactions are allocated to the segment that initiated the transaction. Realized investment gains and losses are reported as a component of the Corporate and Other segment, as decisions regarding the acquisition and disposal of securities reside with the corporate investment function and are not under the control of the individual business segments. Although this measure of profit (loss) does not replace net income (loss) computed in accordance with GAAP as a measure of profitability, management uses this measure of profit (loss) to focus our reporting segments on generating operating income.

Since we generally manage and monitor the investment portfolio on an aggregate basis, the overall performance of the investment portfolio, and related net investment income, is discussed above on a combined basis under consolidated net investment income rather than within or by segment.

U.S. Operations

The following table summarizes the results of operations for the U.S. Operations segment:

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Gross written premiums	$ 1,859.3	$ 1,692.2	$ 1,509.8
Earned premiums	$ 1,119.7	$ 1,078.9	$ 936.6
Losses and loss adjustment expenses	690.4	628.2	528.1
Underwriting, acquisition and insurance expenses	368.7	354.8	319.1
Underwriting income	60.6	95.9	89.4
Net investment income	100.0	82.9	87.2
Interest expense	(20.5)	(16.2)	(14.1)
Fee and other income	0.4	1.5	16.2
Fee and other expense	(1.4)	(2.7)	(9.3)
Income before income taxes	$ 139.1	$ 161.4	$ 169.4
Loss ratio	61.7%	58.2%	56.4%
Expense ratio	32.9%	32.9%	34.1%
Combined ratio	94.6%	91.1%	90.5%
Loss reserves at December 31	$ 2,775.1	$ 2,498.9	$ 2,196.1

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

	For the Years Ended December 31,					
	2019		2018		2017	
(in millions)	Amount	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]
Earned premiums	$ 1,119.7		$ 1,078.9		$ 936.6	
Less:						
Catastrophe-related premium adjustments - outward	—		(7.7)		(5.1)	
Earned premiums, net of catastrophe-related adjustments	$ 1,119.7		$ 1,086.6		$ 941.7	
Losses and loss adjustment expenses, as reported	$ 690.4	61.7 %	$ 628.2	58.2 %	$ 528.1	56.4 %
Less:						
(Unfavorable) favorable prior accident year loss development	(15.7)	(1.4)%	20.8	1.9 %	38.7	4.1 %
Catastrophe losses [2]	(14.4)	(1.3)%	(15.6)	(1.8)%	(16.8)	(2.1)%
Current accident year non-catastrophe losses	$ 660.3	59.0 %	$ 633.4	58.3 %	$ 550.0	58.4 %
Non-catastrophe expense ratio		32.9 %		32.7 %		33.9 %
Current accident year non-catastrophe combined ratio		91.9 %		91.0 %		92.3 %

[1] For purposes of calculating the percentage points impact on the loss, expense and combined ratios, earned premiums were adjusted to exclude outward reinstatement and other catastrophe-related premium adjustments of $7.7 million and $5.1 million for the years ended December 31, 2018 and 2017, respectively.

[2] Catastrophe losses' percentage point impact are calculated as the difference between the reported combined ratio and the combined ratio excluding incurred catastrophe losses and associated reinstatement and other catastrophe-related premium adjustments.

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,					
	2019		2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 284.9	$ 137.5	$ 252.3	$ 126.4	$ 246.7	$ 113.4
Liability	1,072.6	700.1	1,042.3	707.1	946.7	619.2
Professional	315.9	158.9	234.8	131.6	176.5	111.3
Specialty	185.9	123.2	162.8	113.8	139.9	92.7
Total	$ 1,859.3	$ 1,119.7	$ 1,692.2	$ 1,078.9	$ 1,509.8	$ 936.6

Property

The increase in gross written and earned premiums for the year ended December 31, 2019 compared to the same period in 2018 was due to a new fronted program launched earlier this year, growth from the contract, transportation and marine divisions, and rate increases that the property and public entity divisions have achieved. The increase in net earned premium for the year ended December 31, 2019 compared to the same period ended December 31, 2018 was due to gross premium production growth, partially offset by the reduction in net earned premiums associated with the impact from the ongoing strategic use of reinsurance programs, as a part of overall risk management.

The increase in gross written premiums for the year ended December 31, 2018 compared to the same period in 2017 was due to growth initiatives executed in our property, contract binding, and transportation divisions, partially offset by the termination of a fronted program in 2017. While the same products referenced above contributed to the increase in earned premiums, the margin of increase was diminished by a new reinsurance program intended to transfer more of our property exposure. Another large property program launched in 2017 has a majority of its business placed with policy terms longer than twelve months, which also impacted the growth in earned premium in 2018. Earned premiums were reduced by $7.7 million during the year ended December 31, 2018 due to net outward reinstatement premium adjustments primarily related to Hurricane Michael. Earned premiums in 2017 were reduced by $9.2 million due to various reinsurance premium adjustments.

Liability

The increase in gross written premium for the year ended December 31, 2019 compared to the same period in 2018 was due to growth realized by the general casualty, transportation and environmental divisions. There was a planned decrease in premium from the fronted workers compensation programs, which partially offset the growth in this line as a result. Net earned premium decreased for the year ended December 31, 2019 compared to the same period in 2018, as the gross premium production growth during the year was offset by the reduction in net earned premiums associated with the impact from the ongoing strategic use of reinsurance programs, as a part of overall risk management.

The gross written and earned premiums for the year ended December 31, 2018 increased compared to the same period in 2017 due to significant growth in the general casualty lines, as planned. Economic growth in the coal market also continued to drive an increase in workers compensation lines. We experienced growth in environmental and transportation lines, as well as a new fronted program which increased gross written premiums in auto liability. Partially offsetting the growth was a planned reduction in our allied medical business.

Professional

Increases in gross written and net earned premiums for the year ended December 31, 2019, as compared to the same period in 2018, were primarily due to favorable market conditions in the directors’ and officers’ liability and errors and omissions lines that resulted in more rate and new business growth, and new programs that were launched in 2018 that also drove new business.

The increase in gross written and earned premiums for the year ended December 31, 2018 as compared to the same period in 2017 was driven by the continued investment in the teams that underwrite and support this line of business, as well as the introduction of new products.

Specialty

The increase in gross written and net earned premiums for the year ended December 31, 2019 compared to the same period in 2018 was primarily due to the growth in Surety, and to a lesser extent, premium from fronted marine programs that were launched in late 2018.

The increase in gross written and earned premiums for the year ended December 31, 2018 as compared to the same period in 2017 was primarily due to the continued growth in our surety lines, partially offset by planned reductions in certain programs.

Loss and Loss Adjustment Expenses

The loss ratios for the years ended December 31, 2019, 2018 and 2017 were 61.7%, 58.2% and 56.4%, respectively. The higher loss ratio in 2019, as compared to 2018, was driven by a deterioration of 3.3 percentage points from net unfavorable prior-year reserve development in 2019, as compared to net favorable prior-year reserve development in 2018. The higher loss ratio in 2018, as compared to 2017, was driven by a deterioration of 2.2 percentage points related to lower net favorable prior-year reserve development in 2018, as compared to 2017.

The current accident year non-catastrophe loss ratio for the years ended December 31, 2019, 2018 and 2017 were 59.0%, 58.3% and 58.4%, respectively. The deterioration in 2019 was driven by an increased level of property losses and, to a lesser extent, loss experience in certain liability lines. The current accident year non-catastrophe loss ratios were comparable for the years ended December 31, 2018 and 2017.

Net unfavorable prior-year reserve development for the year ended December 31, 2019 was $15.7 million (1.4 percentage points) and related primarily to unfavorable prior-year reserve development on liability claims within our E&S lines business, as well as in property lines, partially offset by favorable prior-year reserve development in specialty lines. The net favorable prior-year reserve development for the year ended December 31, 2018 was $20.8 million (1.9 percentage points) which was primarily concentrated in our general liability and surety lines, partially offset by unfavorable loss reserve development on prior accident years in commercial multi-peril lines. The net favorable prior-year reserve development for the year ended December 31, 2017 was $38.7 million (4.1 percentage points) was primarily concentrated in our general liability, workers compensation, surety and commercial automobile lines.

Catastrophe losses for the year ended December 31, 2019 were $14.4 million (1.3 percentage points) and included Hurricane Dorian and other U.S. storms, including Midwest floods. Catastrophe losses for the year ended December 31, 2018 were $15.6 million (1.8 percentage points) and were primarily attributable to the Woolsey and Camp California wildfires, Hurricane Florence, and other smaller storms in the United States. Catastrophe losses for the year ended December 31, 2017 were $16.8 million (2.1 percentage points) and related to Hurricanes Harvey and Irma, other smaller storms and the California wildfires.

Underwriting, Acquisition and Insurance Expenses

The expense ratio was unchanged at 32.9% for each of the years ended December 31, 2019 and 2018. The decrease in the expense ratio for the year ended December 31, 2018 as compared to the same period in 2017 was primarily attributable to the impact of the 15.2% year-over-year increase in earned premiums combined with lower acquisition costs, primarily offset by strategic investments in people and technology, including digital initiatives in support of premium growth.

Fee and Other Income/Expense

Fee and other income, and the associated fee and other expense, improved on a net basis for the year ended December 31, 2019 as compared to the same period in 2018, as our operations for third party claims handling showed improved results, which offset an adverse profit commission adjustment recognized on the runoff of the discontinued brokerage book of business that was sold during the year ended 2017.

Fee and other income, and the associated fee and other expense, decreased for the year ended December 31, 2018 as compared to the same period in 2017 primarily due to the result of a transaction that was executed in the third quarter of 2017 to transfer to a third-party the distribution rights and operations of certain business managed on behalf of unaffiliated insurance companies. The fee income and expense related to this program were recorded as part of our fee and other income and expense, respectively.

International Operations

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

(in millions)	For the Years Ended December 31, 2019	2018	2017
Gross written premiums	$ 1,269.7	$ 1,262.7	$ 1,187.3
Earned premiums	$ 609.6	$ 652.5	$ 635.8
Losses and loss adjustment expenses	518.3	400.3	504.8
Underwriting, acquisition and insurance expenses	250.2	245.8	242.2
Underwriting (loss) income	(158.9)	6.4	(111.2)
Net investment income	44.2	32.9	32.7
Interest expense	(11.0)	(9.3)	(9.7)
Fee and other income	5.9	4.7	3.7
Fee and other expense	(1.6)	(1.8)	(2.2)
Impairment of goodwill	(15.6)	—	—
(Loss) income before income taxes	$ (137.0)	$ 32.9	$ (86.7)
Loss ratio	85.0%	61.3%	79.4%
Expense ratio	41.0%	37.7%	38.1%
Combined ratio	126.0%	99.0%	117.5%
Loss reserves at December 31	$ 2,129.0	$ 1,890.1	$ 1,723.0

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

	For the Years Ended December 31,					
	2019		2018		2017	
(in millions)	Amount	Ratio [1]	Amount	Ratio [1]	Amount	Ratio [1]
Earned premiums, as reported	$ 609.6		$ 652.5		$ 635.8	
Less:						
Catastrophe-related premium adjustments - outward	(0.8)		(1.3)		(12.8)	
Earned premiums, net of catastrophe-related adjustments	$ 610.4		$ 653.8		$ 648.6	
Losses and loss adjustment expenses, as reported	$ 518.3	85.0 %	$ 400.3	61.3 %	$ 504.8	79.4 %
Less:						
(Unfavorable) favorable prior accident year loss development	(110.4)	(18.1)%	9.5	1.5 %	(13.2)	(2.0)%
Catastrophe losses [2]	(19.2)	(3.2)%	(37.3)	(5.8)%	(110.4)	(18.6)%
Current accident year non-catastrophe losses	$ 388.7	63.7 %	$ 372.5	57.0 %	$ 381.2	58.8 %
Non-catastrophe expense ratio		41.0 %		37.6 %		37.3 %
Current accident year non-catastrophe combined ratio		104.7 %		94.6 %		96.1 %

[1] For purposes of calculating the percentage points impact on the loss, expense and combined ratios, earned premiums were adjusted to exclude outward reinstatement and other catastrophe-related premium adjustments of $0.8 million, $1.3 million, and $12.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

[2] Catastrophe losses' percentage point impact are calculated as the difference between the reported combined ratio and the combined ratio excluding incurred catastrophe losses and associated reinstatement and other catastrophe-related premium adjustments.

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,					
	2019		2018		2017	
(in millions)	Gross Written	Net Earned	Gross Written	Net Earned	Gross Written	Net Earned
Property	$ 504.7	$ 162.9	$ 496.6	$ 210.7	$ 442.6	$ 224.3
Liability	198.0	105.2	193.7	100.1	162.6	79.6
Professional	208.4	115.3	190.2	103.3	169.7	100.9
Specialty	358.6	226.2	382.2	238.4	412.4	231.0
Total	$ 1,269.7	$ 609.6	$ 1,262.7	$ 652.5	$ 1,187.3	$ 635.8

Property

The increase in gross written premiums for the year ended December 31, 2019 as compared to the same period in 2018 was due to an improved rate environment and increased new business accounts in our Bermuda Insurance operation. Net earned premiums declined in 2019 as compared to 2018 due to an increase in the ongoing strategic use of reinsurance programs as part of overall risk management initiatives, as well as increasing our use of third-party capital at Lloyd's.

The increase in gross written premiums for the year ended December 31, 2018 as compared to the same period in 2017 was due to growth in our European operations and our Reinsurance business, partially offset by planned premium reductions within Syndicate 1200. Our European operations contributed $68.3 million of gross written premiums in the current period compared to $6.5 million of gross written premiums in the same period in 2017. The significant growth in Europe was driven by new programs and the addition of ArgoGlobal SpA (formerly Ariscom), the Italian business we acquired in early 2018. Growth in gross written premiums in our Reinsurance business was primarily due to the timing of the Ariel Re acquisition in February 2017, as Ariel Re has a significant property contract subject to renewal in January of each year which was not included in our results for the same period of 2017. This was partially offset by the introduction of certain third-party capital for Ariel Re and our resulting reduced participation in Syndicate 1910 in the current year. The decrease in net earned premiums for the year ended December 31, 2018 as compared to the same period in 2017 was also due to the aforementioned change in capital structure for Ariel Re related to the use of third-party capital.

Liability

The increase in gross written premiums for the year ended December 31, 2019 as compared to the same period in 2018 was due to increased business flow and an improved rate environment in our Bermuda Casualty operation. Net earned premiums increased in 2019 as compared to 2018 due to the earning of premiums written in 2018 related to our European binder business as well as the higher premiums from improved rates in our Bermuda Casualty operation.

The increase in gross written and net earned premiums for the year ended December 31, 2018 as compared to the same period in 2017 was due to planned geographic expansion in our European operations, growth in new business writings in Syndicate 1200 in certain motor business, and increased writings in small-to-medium sized enterprise package business resulting from prior years of account binder premium increases. These growth drivers were partially offset by lower premium production coming from Bermuda as a result of the strategic decision to non-renew certain utility accounts.

Professional

The increase in gross written and net earned premiums for the year ended December 31, 2019 as compared to the same period in 2018 was primarily driven by Syndicate 1200 due to current and prior year (binder) growth within Professional Indemnity and Directors & Officers. Increased rate and business flow in our Bermuda Insurance operation also contributed to the year-over-year growth.

The increase in gross written premiums for the year ended December 31, 2018 as compared to the same period in 2017 was primarily attributable to growth in our Syndicate 1200, Bermuda and European operations. Growth in Syndicate 1200 was due to increased writings in cyber, directors and officers, and medical malpractice. Bermuda increased their writings in errors and omissions and directors and officers lines, as well as benefiting from improving trading conditions and favorable rate changes. Our European operations also contributed to the professional lines growth in gross written and earned premiums as compared to the same period in 2017 as a result of significant new business growth.

Specialty

The decrease in gross written and net earned premiums for the year ended December 31, 2019 as compared to the same period in 2018 was mainly concentrated in our Syndicate 1200 business, and was due to optimization efforts concentrated in Syndicate 1200, which have resulted in our exit from onshore energy, yachts and hull lines of business, and operations in Asia. Premium reductions for prior years of account in our reinsurance business written out of our Lloyd's platform also contributed to the decline in net earned premiums.

The decrease in gross written and earned premiums for the year ended December 31, 2018 as compared to the same period in 2017 was due to the aforementioned change in capital structure of Ariel Re and the resulting reduced participation in Syndicate 1910 from the use of certain third-party capital. Partially offsetting the decline in Ariel Re was gross written and earned premiums growth in Syndicate 1200 and our European operations. Syndicate 1200 growth was driven by marine and energy business, increases in political risks and prior year of account binder premium adjustments in cargo lines. European growth was driven by new business in the surety book, as well as the addition of ArgoGlobal SpA.

Loss and Loss Adjustment Expenses

The loss ratios for the years ended December 31, 2019, 2018 and 2017 were 85.0%, 61.3% and 79.4%, respectively. The higher loss ratio in 2019, as compared to 2018, was driven by a deterioration of 19.6 percentage points from net unfavorable prior-year reserve development in 2019, as compared to net favorable prior-year reserve development in 2018, as well as an increase in the current accident year non-catastrophe loss ratio of 6.7 percentage points. The improvement in the loss ratio in 2018, as compared to 2017, was primarily attributable to a decline in catastrophe losses by 12.8 percentage points, net favorable development on prior accident year loss reserves in 2018 (compared to net unfavorable development on prior accident year loss reserves in 2017) by 3.5 percentage points, and a 1.8 percentage point improvement in the current accident year non-catastrophe loss ratio.

The current accident year non-catastrophe loss ratio for the years ended December 31, 2019, 2018 and 2017 were 63.7%, 57.0% and 58.8%, respectively. The deterioration in 2019 related to property, liability and marine lines. The adjustment reflected a change in actuarial estimates based on a more frequent occurrence of large losses and the recalibration of the current year based on prior year adjustments. The improvement in the current accident year non-catastrophe loss ratio during the year ended December 31, 2018, compared to the same period in 2017, was primarily due to the year-over-year impact of the additional reinsurance purchases in 2017 as part of integrating Ariel Re into our corporate reinsurance and risk management program, which adversely affected the loss ratios due to lowering the net earned premium base. Additionally, there were improvements in Syndicate 1200 property lines during 2018.

Net unfavorable prior-year reserve development for the year ended December 31, 2019 was $110.4 million (18.1 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 cover-holders 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 cover-holders, which included the identification of differences from original expectations with regard to the classes written, the distribution of writings by geography, and the rates charged by the cover-holders.

Net favorable prior-year reserve development for the year ended December 31, 2018 was $9.5 million (1.5 percentage points) and was concentrated in the specialty and liability lines. Net unfavorable prior-year reserve development for the year ended December 31, 2017 was $13.2 million (2.0 percentage points) and was concentrated in the property and liability lines, primarily due to the first quarter 2017 Ogden rate change and newly reported claims from Hurricane Matthew.

Catastrophe losses for the year ended December 31, 2019 were $19.2 million (3.2 percentage points) and related to Hurricane Dorian, Typhoons Hagibis and Faxai, U.S. storms, and included losses from flooding. Catastrophe losses for the year ended December 31, 2018 were $37.3 million (5.8 percentage points) and were primarily attributable to Hurricanes Florence and Michael, the Woolsey and Camp California wildfires, and other storms primarily outside the United States. Catastrophe losses for the year ended December 31, 2017 were $110.4 million (18.6 percentage points) and were attributable to Hurricanes Harvey, Irma and Maria, the California wildfires, other storms primarily in the United States, and the Mexican earthquakes.

Underwriting, Acquisition and Insurance Expenses

The increase in the expense ratio for the year ended December 31, 2019 as compared to the same period in 2018 was primarily attributable to an allowance for doubtful accounts related to our European business unit, adjustments for certain costs previously allocated to trade capital providers and increased IT and other operating costs. Our 2019 expense ratio was also unfavorably impacted by an increase in the ongoing strategic use of reinsurance programs as part of overall risk management initiatives.

The decrease in the expense ratio for the year ended December 31, 2018 as compared to the same period in 2017 was primarily attributable to the increase in earned premiums related to growth from the expansion of our European operations. We also saw a favorable impact on our expense ratio compared to the same period in 2017 as a result of the aforementioned change in capital structure for Ariel Re and the use of certain third-party capital, as well as additional quota share reinsurance purchased in the current year which resulted in increased ceding and profit commissions.

Fee and Other Income/Expense

Fee and other income represents amounts we receive in connection with the management of third-party capital for our underwriting Syndicates at Lloyd’s. Fee and other income increased for the year ended December 31, 2019 as compared to the same period ended 2018 primarily due to increased use of third-party capital and additional managing agent fee income.

Fee and other expenses related to generating fee income were slightly reduced for the year ended December 31, 2019 as compared to the same period in 2018.

Fee and other income increased for the year ended December 31, 2018 as compared to the same period ended 2017 primarily due to fee income earned by Syndicate 1910, particularly from fees earned from third-party capital providers introduced in 2018, as previously discussed.

The slight decrease in fee and other expenses for the year ended December 31, 2018 as compared to the same period in 2017 is primarily due to lower costs related to outside services and employee benefits.

Run-off Lines

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

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Earned premiums	$ 0.2	$ 0.3	$ (0.1)
Losses and loss adjustment expenses	12.0	12.3	17.3
Underwriting, acquisition and insurance expenses	2.4	3.9	8.3
Underwriting loss	(14.2)	(15.9)	(25.7)
Net investment income	5.7	8.1	9.3
Interest expense	(1.3)	(1.5)	(1.5)
Loss before income taxes	$ (9.8)	$ (9.3)	$ (17.9)

Earned premiums for the years ended December 31, 2019, 2018 and 2017 were attributable to final audits, reinstatement premiums and other adjustments on policies previously underwritten.

Through our subsidiary Argonaut Insurance Company, 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 Insurance Company 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 Insurance Company 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 Insurance Company 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 Insurance Company 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 Insurance Company.

Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses for the year ended December 31, 2019 included $12.0 million of net unfavorable loss reserve development on prior accident years, of which $7.5 million was in asbestos and environmental lines and $6.3 million in other run-off lines, partially offset by $1.8 million of net favorable loss reserves development on prior accident years in risk management.

Losses and loss adjustment expenses for the year ended December 31, 2018 included $12.3 million of net unfavorable loss reserve development on prior accident years, of which $7.4 million was in asbestos and environmental lines, with the remainder concentrated in other run-off lines.

Losses and loss adjustment expenses for the year ended December 31, 2017 included $17.3 million of net unfavorable loss reserve development on prior accident years driven by $13.6 million in asbestos and environmental lines due to increasing defense costs and an increase in the time claims remain open, and $5.9 million in other run-off lines, partially offset by net favorable loss reserve development on prior accident years of $2.2 million in risk management.

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

	For the Years Ended December 31,					
	2019		2018		2017	
(in millions)	Gross	Net	Gross	Net	Gross	Net
Asbestos and environmental:						
Loss reserves, beginning of the year	$ 54.7	$ 46.2	$ 55.9	$ 47.2	$ 48.4	$ 40.6
Incurred losses	10.5	8.3	8.3	8.0	12.8	15.4
Losses paid	(12.6)	(10.7)	(9.5)	(9.0)	(5.3)	(8.8)
Loss reserves - asbestos and environmental, end of period	52.6	43.8	54.7	46.2	55.9	47.2
Risk-management reserves	188.1	116.9	197.0	122.6	219.6	136.9
Run-off reinsurance reserves	0.5	0.5	1.6	1.6	1.8	1.8
Other run-off lines	12.3	7.2	12.2	7.1	4.6	4.6
Total loss reserves - Run-off Lines	$ 253.5	$ 168.4	$ 265.5	$ 177.5	$ 281.9	$ 190.5

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

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Asbestos:			
Direct			
Case reserves	$ 2.7	$ 2.7	$ 2.1
Unallocated loss adjustment expense ("ULAE")	0.5	0.5	0.5
Incurred but not reported (“IBNR”)	16.1	19.1	18.8
Total direct written reserves	19.3	22.3	21.4
Assumed domestic			
Case reserves	9.1	8.7	9.8
ULAE	0.8	0.8	0.8
IBNR	11.2	12.0	13.7
Total assumed domestic reserves	21.1	21.5	24.3
Assumed London			
Case reserves	1.3	1.5	2.3
ULAE	—	—	—
IBNR	1.1	1.5	0.6
Total assumed London reserves	2.4	3.0	2.9
Total asbestos reserves	42.8	46.8	48.6
Environmental reserves	9.7	8.0	7.3
Risk-management reserves	188.1	197.0	219.6
Run-off reinsurance reserves	0.5	1.6	1.8
Other run-off lines	12.3	12.2	4.6
Total loss reserves - Run-off Lines	$ 253.5	$ 265.6	$ 281.9

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:

	For the Years Ended December 31,		
	2019	2018	2017
Open claims, beginning of the year	751	846	964
Claims closed during the year	121	145	204
Claims opened during the year	77	50	86
Open claims, end of the year	707	751	846

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

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Gross payments on closed claims	$ 1.6	$ 6.1	$ 5.0
Gross payments on open claims	10.2	3.4	0.3
Total gross payments	$ 11.8	$ 9.5	$ 5.3

Because of the types of coverage within the Run-off Lines of business still being serviced by Argonaut Insurance Company, 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. Underwriting expense for the year ended December 31, 2019 was favorably impacted by decreases in overhead expense, policyholder dividends, fees and assessments and the collection of a receivable that had previously been deemed uncollectible. Underwriting expense for the year ended December 31, 2018 was favorably impacted by decreased overhead expenses. Underwriting expense for the year ended December 31, 2017 was unfavorably impacted by increased overhead expenses and policyholder dividends.

Recent Changes to Ratings

On February 26, 2020, A.M. Best downgraded all of our insurance and reinsurance companies to an FSR of "A-" (Excellent) from "A" (Excellent). Argo Group U.S., Inc. was downgraded to an ICR and senior unsecured Debt Rating of "bbb-" from "bbb." Except Argo Seguros, which are not rated, all of our insurance and reinsurance companies were downgraded to an ICR of "a-" from "a." The outlook assigned to all of these ratings is negative.

Although the Company is still assessing the impact of this recent downgrade, we do not believe that this change in rating will materially impact the Company's business operations. However, the downgrade may impair our ability to sell insurance policies and could materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.

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, 2019, cash flow provided by operations was $183.3 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 for the foreseeable future. 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 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.

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, 2019, 2018 and 2017, cash provided by operating activities was $183.3 million, $301.3 million and $165.0 million, respectively. The decrease in cash flows provided by operating activities in 2019 compared to 2018 and in 2017 compared to 2018 was attributable to various fluctuations within our operating activities. The decrease in cash flows from operating activities in 2019 compared to 2018 was primarily related to payments on prior accident year claims during 2019, primarily driven by catastrophe claims. Net cash flows provided by operating activities for the year ended December 31, 2018 included approximately $80 million of cash received from certain third parties in advance of certain large claim settlements related to the third quarter 2017 hurricanes. Conversely, net cash provided by operating activities for the year ended December 31, 2019 included claim payments of approximately $20 million related to the third quarter 2017 hurricanes. This transaction is included in the line item "Accrued underwriting expense and other liabilities" in the operating activities section of our Consolidated Statements of Cash Flows. Additionally, in 2019 Argo Re entered into an intercompany loan agreement with Syndicate 1910, whereby approximately $65 million was loaned to Syndicate 1910 at a commercial rate of interest, of which amount, approximately $40 million pertained to Syndicate 1910's third party capital providers and is therefore included as a loan receivable in "Other assets" within our Consolidated Balance Sheets. The cash flows related to this transaction is included in the line item "Other, net" in the operating activities section of our Consolidated Statement of Cash Flows.

For the years ended December 31, 2019, 2018 and 2017, net cash used in investing activities was $142.8 million, $268.3 million and $121.3 million, respectively. The decrease in cash flows used in investing activities from 2018 to 2019 was mainly the result of maturities, sales of fixed maturity investments and equity securities and decrease in cash used to purchased equity securities, partially offset by an increase in cash used to purchase short-term investments. Included in cash used in investing activities in 2017 was the $235.3 million cash outflow related to the purchase of Maybrooke, net of $130.1 million of cash acquired. The increase in cash used in investing from 2017 to 2018 was mainly the result of the increase in cash used to purchase short-term investments, decrease in the proceeds from sale and maturities of fixed maturity securities, partially offset by a decrease in cash used to purchase equity investments. As of December 31, 2019, 2018 and 2017, $845.0 million, $482.3 million, and $368.5 million, respectively, of the investment portfolio were invested in short-term investments.

For the years ended December 31, 2019, 2018 and 2017, net cash (used in) provided by financing activities was $(41.8) million, $(67.6) million, and $48.0 million, respectively. During 2019, we did not repurchase any common shares. During 2018 and 2017, we repurchased approximately 0.5 million, and 0.8 million shares, respectively, of our common shares for a total cost of $31.7 million, $45.2 million, respectively. We paid dividends to our shareholders totaling $43.1 million, $37.5 million and $33.2 million during the years ended December 31, 2019, 2018 and 2017, respectively.

We invest excess cash in a variety of investment securities. As of December 31, 2019, our investment portfolio consisted of 71.3% fixed maturities, 2.4% equity securities, 9.7% other investments 16.6% short-term investments (based on fair value) compared to 72.3% fixed maturities, 7.4% equity securities,10.2% other investments and 10.1% short-term investments as of December 31, 2018. 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, 2019, 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 5.4% of shareholders' equity at December 31, 2019.

Reinsurance and Collateral Held by Argo

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, 2019, the amount of such collateral and LOCs held under insurance and reinsurance agreements was $577.2 million and $1,184.7 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.

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 and reinsurance subsidiaries in order to pay cash dividends to their shareholders, for debt service and for their operating expenses. The ability of our insurance and reinsurance 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 and is subject to Bermuda insurance laws. As part of the Maybrooke liquidation, Ariel Reinsurance, Ltd. was merged into Argo Re, Ltd effective December 31, 2017. 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, 2019, the unaudited statutory capital and surplus of Argo Re was $1,460.8 million, and the amount required to be maintained was $242.9 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.

In December 2019, Argo Re paid a cash dividend of $52.1 million to Argo Group which was used to repay intercompany balances related primarily to dividend payments, interest payments and other corporate expenses.

In December 2019, Argo Group U.S. received an ordinary dividend in the amount of $50.0 million in cash from Argonaut Insurance Company and $30.0 million in cash from Rockwood.

During 2020, Argo Group U.S., Inc. may be permitted to receive dividends from its subsidiaries as follows: Argonaut Insurance Company – $110.2 million and Rockwood – $13.0 million. Business and regulatory considerations may impact the amount of dividends actually paid and prior approval of dividend payments may be required.

Acquisitions

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

Revolving Credit Facility and Term Loan. On November 2, 2018, each of Argo Group, Argo Group U.S., Inc., Argo International Holdings Limited, and Argo Underwriting Agency Limited (the "Borrowers") entered into a $325 million credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement replaced the prior $325 million Credit Agreement (the "Prior Agreement"), dated as of March 3, 2017. In connection with the consummation of the Credit Agreement, Argo Group borrowed $125 million as a term loan due on November 2, 2021, which amount was used on November 2, 2018 to pay off in its entirety the $125 million of borrowings previously outstanding under the Prior Agreement. In addition, the Credit Agreement provided for a $200 million revolving credit facility, and the commitments thereunder shall expire on November 2, 2023 unless extended in accordance with the terms of the Credit Agreement. At December 31, 2019, the $125.0 million drawn on this term loan remained outstanding. The term loan bears interest based on a variable rate, which resets and is payable based on reset options we select pursuant to the terms of the Credit Agreement. As of December 31, 2019, the interest rate on this debt was equal to the three-month LIBOR (1.93% at December 31, 2019) plus 125 basis points, or 3.18%.

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

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

Included in the Credit Agreement is a provision that allows up to $200.0 million of the revolving credit facility to be used for LOCs, subject to availability. As of December 31, 2019, there was no borrowings outstanding and $70.5 million in LOCs against the revolving credit facility.

Senior 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.

Floating Rate Loan Stock. We assumed debt through the acquisition of Syndicate 1200. These notes are unsecured. 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, 2019 is presented below:

(in millions)

Currency	Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2019	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	6.41%	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	6.21%	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month LIBOR + 4.0%	3.58%	13.3
Euro	10/31/2006	11/22/2036	3 month LIBOR + 4.0%	3.58%	11.6
Euro	6/8/2007	9/15/2037	3 month LIBOR + 3.9%	3.47%	14.9
Total Euro notes					39.8
Total notes outstanding					$ 56.3

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, 2019 is presented below:

(in millions)

Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rate at December 31, 2019	Amount
Argo Group					
5/15/2003	PXRE Capital Statutory Trust II	5/15/2033	3M LIBOR + 4.10%	6.01%	$ 18.1
11/6/2003	PXRE Capital Trust VI	9/30/2033	3M LIBOR + 3.90%	5.84%	10.3
Argo Group US					
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	6.01%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	6.09%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	5.76%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	5.76%	12.3
5/12/2004	Argonaut Group Statutory Trust VI	5/12/2034	3M LIBOR + 3.80%	5.70%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	5.49%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	5.48%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	5.49%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	5.29%	30.9
	Total Outstanding				$ 172.7

Subordinated Debentures. Unsecured junior subordinated debentures with a principal balance of $91.8 million were assumed through the acquisition of Maybrooke ("the Maybrooke debt"). As part of the liquidation of the Maybrooke holding company and the organizational restructuring of its former subsidiary companies, the acquired debt was ultimately assigned to Argo Re and is carried on our consolidated balance sheet at $84.7 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, 2019, the Maybrooke debt was eligible for redemption at par. Interest accrues on the Maybrooke debt based on a variable rate, which is reset quarterly. Interest payments are payable quarterly. A summary of the terms of the Maybrooke debt outstanding at December 31, 2019 is presented below:

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2019	Principal at December 31, 2019	Carrying Value at December 31, 2019
9/15/2007	9/15/2037	3 month LIBOR + 3.15%	5.04%	$ 91.8	$ 84.7

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 two secured, bilateral committed 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. These facilities have a term of one year and include customary conditions and event of default provisions. 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, 2019 these committed letter of credit facilities totaled $210 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, 2019, LOCs totaling $139.9 million were outstanding, of which $121.1 million were issued against the secured bilateral LOC facilities and $18.8 million were issued by a commercial bank on an uncommitted basis. Collateral with a market value of $169.9 million was pledged to these banks as security against these LOCs.

Argo Group executed an 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 a term of one year, is unsecured, and includes customary conditions and event of default provisions. At December 31, 2019 and December 31, 2018, an LOC in the amount of £23.3 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. Throughout 2019, 2018 and 2017, we had no preferred shares outstanding.

Argo Common Shares and Dividends

For the year ended December 31, 2019, the Board declared quarterly dividends in the aggregate amount of $1.24 per share. Cash dividends paid for the year ended December 31, 2019 totaled $43.1 million.

On February 18, 2020, 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 16, 2020 to shareholders of record at the close of business on March 2, 2020.

On February 20, 2018, the Board declared a 15% stock dividend, payable March 21, 2018 to all shareholders of record at the close of business on March 7, 2018. As a result of the stock dividend, 4,397,520 additional shares were issued. Cash was paid in lieu of fractional shares of our common shares.

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

Transactions with Related Parties

The discussion of transactions with related parties is included in Note 21, "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.

Off-Balance Sheet Arrangements

We have committed to invest up to a total of $422.6 million in a series of hedge funds, private equity and long only funds, of which $312.6 million was funded and included in Other invested assets in our consolidated balance sheet. As of December 31, 2019, we have a remaining obligation to the private equity partnerships to invest up to an additional $110.0 million, which can be called at any time. We have not recorded this commitment in our consolidated financial statements. The investment will be recorded at such time as the capital partnership requires the additional investment.

Other than as described in the immediately preceding paragraph, we have not entered into any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K at December 31, 2019.

Contractual Obligations

Our estimated contractual obligations and commitments as of December 31, 2019 were as follows:

		Payments Due by Period			
(in millions)	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	Thereafter
Long-term debt:					
Junior subordinated debentures [1]	$ 492.2	$ 14.7	$ 29.3	$ 29.3	$ 418.9
Senior unsecured fixed rate notes [2]	356.3	9.3	18.7	18.7	309.6
Floating rate loan stock [3]	97.7	2.5	5.1	5.1	85.0
Term Loan [4]	133.0	4.6	128.4	—	—
Operating leases	130.3	15.1	27.5	20.2	67.5
Purchase obligations [5]	26.1	14.2	11.9	—	—
Other long-term liabilities:					
Claim payments [6]	5,157.6	1,610.0	1,893.6	812.6	841.4
Corporate reinsurance contract [7]	25.8	25.8	—	—	—
Partnership commitments [8]	110.0	110.0	—	—	—
Total contractual obligations	$ 6,529.0	$ 1,806.2	$ 2,114.5	$ 885.9	$ 1,722.4

(1) Interest only on Junior Subordinated Debentures through 2037. Interest calculated based on the rate in effect at December 31, 2019. Principal due beginning May 2033.

(2) Interest only on Senior Unsecured Fixed Rate Notes through 2042. Interest calculated based on the rate in effect at December 31, 2019. Principal due September 2042.

(3) Interest only on Floating Rate Loan Stock through 2034. Interest calculated based on the rate in effect at December 31, 2019. Principal due beginning November 2034.

(4) Interest only on Term Loan through 2021. Interest calculated based on the rate in effect at December 31, 2019. Principal due November 2021.

(5) Purchase obligations consist primarily of software, hardware and equipment servicing and software licensing fees.

(6) Claim payments do not have a contractual maturity; exact timing of claim payments cannot be predicted with certainty. The above table estimates timing of claim payments based on historical payment patterns and excludes the benefits of reinsurance recoveries.

(7) Base premium for the final year of a multi-year corporate reinsurance contract.

(8) Argo Group has invested in multiple limited partnership agreements and can be called to fulfill the obligations at any time.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, "Income Taxes, Simplifying the Accounting for Income Taxes (Topic 740). The guidance eliminates certain exceptions for recognizing deferred taxes for investments, performing intraperiod tax allocation and calculating income taxes in interim periods. The ASU also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years. We do not anticipate that this ASU will have a material impact on our financial results or disclosures.

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

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other" (Topic 350). ASU 2017-4 eliminates the requirement to calculate the implied fair value of goodwill that is done in Step 2 of the current goodwill impairment test to measure a goodwill impairment loss. Instead, entities will record an impairment loss based on the excess of a reporting unit's carrying amount over its fair value. The guidance will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. We do not anticipate that this ASU will have a material impact on our financial results or disclosures.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (Topic 326). ASU 2016-13 requires organizations to estimate credit losses on certain types of financial instruments, including reinsurance recoverables and available-for-sale fixed maturity 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 estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. The guidance requires a modified retrospective transition method and early adoption is permitted. We are finalizing our evaluation of the impact to our financial statements and are developing the required internal controls. We do not expect the impact to our statement of financial position to be material.

For further discussion on the adoption of recently issued accounting policies, see Note 1, "Business and Significant Accounting Policies" in the Notes to the Consolidated Financial Statements, included in Item 8, "Financial Statements and Supplementary Data" beginning on page F-1.

Critical Accounting Estimates

Reserves for Losses and Loss Adjustment Expenses

We establish reserves for the estimated total unpaid costs of losses including 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:

	December 31, 2019		December 31, 2018	
(in millions)	Gross	Net	Gross	Net
General liability	$ 2,506.4	$ 1,533.3	$ 1,970.6	$ 1,306.0
Workers compensation	568.7	309.2	581.9	309.3
Syndicate and US special property	419.9	23.7	578.9	84.0
Syndicate liability	370.7	197.8	356.3	195.6
Reinsurance - nonproportional assumed property	310.8	38.6	270.1	57.7
Commercial multi-peril	227.9	163.9	225.1	172.2
Syndicate marine & energy	170.9	85.5	164.3	81.2
Commercial auto liability	135.6	109.7	119.4	103.9
Fidelity/Surety	77.4	50.5	85.1	56.9
Syndicate aerospace	68.4	39.0	63.0	34.9
All other lines	300.9	171.5	239.9	161.2
Total reserves	$ 5,157.6	$ 2,722.7	$ 4,654.6	$ 2,562.9

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) plus 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.

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, 2019 as compared with methods and assumptions used at December 31, 2018, 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 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, 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;
- 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; and
- Changes in underwriting standards.
- Gasoline prices.
- Changes in macroeconomic factors including but not limited to unemployment statistics.

Reinsurance – Nonproportional Assumed Property

As a property catastrophe reinsurer, 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 $2,506.4 million, with approximately 3% of that amount related to run-off asbestos and environmental exposures as of December 31, 2019. 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 15%, a change that we have experienced in the past and that management considers possible, the estimated net reserve could change by $140.0 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 $227.9 million as of December 31, 2019. If the development patterns underlying our net reserves for this line of business change by 15%, the estimated net reserve could change by $15.0 million, in either direction.

Recorded gross reserves for workers compensation were $568.7 million as of December 31, 2019. 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 $135.6 million as of December 31, 2019. 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 $835.8 million as of December 31, 2019. 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 6, "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, 2019 were adequate to cover claims for losses that have occurred, including both known claims and claims yet to be reported. As of December 31, 2019, we recorded gross loss reserves of $5,157.6 million and loss reserves net of reinsurance of $2,722.7 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 $2,495.0 million to $3,005.0 million as of December 31, 2019. 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. 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 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. 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, 2019, including i) obtaining and reviewing internal control reports for our accounting service providers that obtain fair values from third-party pricing services, ii) discussing with our investment managers their process for reviewing and validating pricing obtained from outside services and obtained values for all securities from our investment managers and iii) comparing the security pricing received from the investment managers with the prices used in our consolidated financial statements and obtained additional information for variances that exceeded a certain threshold. As of December 31, 2019, 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. 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. We have one available-for-sale private equity investment with changes in the value of investment recognized as a separate component of shareholders' equity. We also have three small private equity investments accounted for at cost.

We regularly monitor the difference between the estimated fair values of our investments and their cost or book values to identify underperforming investments and whether declines in value are temporary in nature or "other-than-temporary." If a decline in the value of a particular investment is believed to be temporary, the decline is recorded as an unrealized loss, net of tax, in other comprehensive income as a separate component of shareholders' equity. If the decline is believed to be "other-than-temporary," the carrying value of the investment is written down and recorded as a realized loss in our consolidated statements of income (loss). We evaluate our investments for impairment. For fixed maturities 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, 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. 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. For the years ended December 31, 2019, 2018 and 2017, we recorded $20.3 million, $7.6 million and $2.5 million, respectively, of realized losses due to the recognition of other-than-temporary impairments.

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 United Kingdom 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 and unearned premium reserves. Our deferred tax liabilities resulted primarily from unrealized gains in the investment portfolio, deferred acquisition costs and depreciable fixed assets.

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.

On December 22, 2017, the TCJA was signed into law making significant changes to the Internal Revenue Code. The company provided its best estimate of the impact of the TCJA at December 31, 2017 and during 2018 completed its analysis as provided by SAB 118.

For additional information regarding our deferred tax assets and liabilities, please see Note 15 "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 have elected to perform our goodwill impairment test on the first day of the fourth quarter of each year.

At December 31, 2019, we had goodwill of $161.4 million assigned to the following reporting units: U.S. Operations – $123.5 million, and International Operations – $37.9 million. Additionally, at December 31, 2019, we had other intangible assets totaling $91.8 million, including indefinite-lived intangible assets of $89.0 million relating to our Lloyd's Syndicates 1200 and 1910. Due to the nature of our Lloyd's Syndicates' 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, 2019, all of our reporting units passed the impairment test, except for our European reporting unit. As a result of this testing, we determined that the goodwill of the European reporting unit, which is included in our International Operations segment, was fully impaired and recorded a pre-tax charge of $15.6 million. For further discussion on this impairment of goodwill, see Note 1, "Business and Significant Accounting Policies" in the Notes to the Financial Statements. As a result of the reviews performed on each of our reporting units for each of the years ended December 31, 2018 and 2017, we determined that the estimated fair value exceeded the respective carrying value of our reporting units for those years and goodwill was not impaired.

As noted above, we have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other indefinite-lived intangible assets. An impairment analysis subsequent to this date has not been performed as we believe that no additional indicators of impairment have arisen, such as significant additional pricing competition, unexpected significant declines in operating results, divestiture of a significant component of the business or further significant decline in market capitalization.

We evaluated our definite lived intangibles for indicators of impairment. If indicators of impairment had been identified, we would have been required to test definite lived intangible assets for impairment. As of October 1, 2019, the testing date, no indicators of impairment were identified. Therefore, we were not required to test for impairment. As with the indefinite-lived intangible assets, we will continue to monitor for indicators of impairment and test as required.

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 2.41 years and 2.78 years at December 31, 2019 and 2018, 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, which 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, 2019 and 2018.

December 31, 2019	-100	-50	Base	50	100
Fair value (in millions)	$ 4,584.6	$ 4,531.6	$ 4,478.5	$ 4,424.9	$ 4,371.4
Gain (loss) (in millions)	$ 106.1	$ 53.1	$ —	$ (53.6)	$ (107.1)

December 31, 2018	-100	-50	Base	50	100
Fair value (in millions)	$ 4,048.8	$ 3,995.8	$ 3,942.7	$ 3,842.0	$ 3,789.5
Gain (loss) (in millions)	$ 106.1	$ 53.1	$ —	$ (100.7)	$ (153.2)

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 88.3% and 85.6% rated investment grade or better (BBB- or higher) at December 31, 2019 and 2018, respectively.

Our portfolio includes alternative investments with a carrying value at December 31, 2019 and 2018 of $496.5 million and $489.8 million (9.7% and 10.2% 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 $124.4 million and $354.5 million (2.4% and 7.4% of total invested assets) at December 31, 2019 and 2018, respectively. Our equity securities are exposed to equity price risk which is defined as the potential for loss in fair value due to a decline in equity prices. We believe 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 $6.9 million in gains and $0.1 million in losses from movements in foreign currency rates for the years ended December 31, 2019 and 2018, respectively. We recognized $1.9 million and $2.7 million in gains on our foreign currency forward contracts for the years ended December 31, 2019 and 2018, 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, 2019 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.

We review our disclosure controls and procedures on an ongoing basis. From time to time, management makes changes to enhance these controls and ensure that they continue to meet the needs of our business activities over time. In December 2019, Argo’s Human Resources Committee amended or adopted four policies to enhance the controls and procedures as they relate to perquisites for our executive officers. These four policies are listed below:

- Executive perquisite policy
- Revised airplane use policy
- Revised corporate charitable contributions policy
- Addendum to the travel & expense reimbursement policy for named executive officers

The Company has also generally enhanced its internal process of perquisites reporting. These policies and enhancements are designed to, among other things, strengthen the criteria for reimbursing business expenses and enhance the rigor of the process by which such requests for reimbursement are to be approved; accurately identify permissible and impermissible perquisites and provide an approval process for obtaining Committee approval of new types of perquisites; clearly define what constitutes use of corporate aircraft for business purpose as compared to for personal use; and provide a robust governance and oversight framework for decisions on corporate contributions. Senior management conducted training for relevant employees on these new and enhanced policies and procedures.

Although the Company made certain enhancements as described above, there were no changes in the internal control over financial reporting made during the quarter ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2019, 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, management determined that we maintained effective internal control over financial reporting as of December 31, 2019, based on those criteria.

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, 2019. The report, which expresses unqualified opinions on the effectiveness of our internal control over financial reporting as of December 31, 2019, 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 Board of Directors and Shareholders of Argo Group International Holdings, Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Argo Group International Holdings, Ltd. internal control over financial reporting as of December 31, 2019, 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, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of (loss) income, comprehensive (loss) income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the Index at Item 15 (collectively referred to as the "financial statements") of the Company and our report dated February 28, 2020 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 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
February 28, 2020

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference is the information appearing under the captions “Corporate Governance,” “Election of Directors” and “Delinquent Section 16(a) Reports” in our Proxy Statement to be filed with the SEC relating to our 2020 Annual Meeting of Shareholders.

The information with respect to the executive officers of the Company required to be included pursuant to this Item 10 is included under the caption “Information About Our Executive Officers” in Part I of this Form 10-K and is incorporated in this Item 10 by reference.

Item 11. Executive Compensation

Incorporated herein by reference is the information appearing under the captions “Compensation Discussion and Analysis,” “Human Resources Committee Report,” “Executive Compensation,” “Non-Employee Director Compensation,” and “Corporate Governance-Human Resources Committee Interlocks and Insider Participation” in our Proxy Statement to be filed with the SEC relating to our 2020 Annual Meeting of Shareholders.

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, 2019 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	1,096,639	$ 33.60	1,820,986
Argo Group International Holdings, Ltd. Employee Share Purchase Plan	—	—	497,246
Equity compensation plans not approved by shareholders	—	—	—
Total	1,096,639	$ 33.60	2,318,232

Under the terms of the Omnibus Incentive Plan, only awards that are to be settled in shares are included in the totals above. At December 31, 2019, 4,937 cash-settled stock appreciation rights are issued and outstanding. Additional information relating to our equity compensation plans is included in Note 13, “Share-based Compensation” in the Notes to Consolidated Financial Statements.

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 2020 Annual Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions and Director Independence

Incorporated herein by reference is the information appearing under the captions “Corporate Governance - Related Persons Transactions” and “Corporate Governance - Director Independence” in our Proxy Statement to be filed with the SEC relating to our 2020 Annual Meeting of Shareholders.

Item 14. Principal Accounting Fees and Services

Incorporated herein by reference is the information appearing under the caption “Relationship with Independent Auditors” in our Proxy Statement to be filed with the SEC relating to our 2020 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, 2019 and 2018

Consolidated Statements of (Loss) Income

For the Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Shareholders' Equity

For the Years Ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

(a) 2. Financial Statement Schedules

Schedule II—Condensed Financial Information of Registrant

December 31, 2019 and 2018

Schedule III—Supplemental Insurance Information

For the Years Ended December 31, 2019, 2018 and 2017

Schedule V—Valuation and Qualifying Accounts

For the Years Ended December 31, 2019, 2018 and 2017

Schedule VI—Supplemental Information for Property-Casualty Insurance Companies

For the Years Ended December 31, 2019, 2018 and 2017

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.

Table of Contents

(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.(incorporated by reference to Exhibit 3.1 to the Current Report of Argo Group 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 (incorporated by reference to Appendix I to Argo Group's Proxy Statement for the 2010 Annual General Meeting of Shareholders filed with the Securities and Exchange Commission on March 15, 2010).
4.1	Junior Subordinated Debentures [(1)]
4.2	Form of Senior Indenture among the Company, Argo Group U.S., Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.3 of Argo Group's registration statement on Form S-3 filed with the Securities and Exchange Commission on September 18, 2012).
4.3	Form of First Supplemental Indenture among the Company, Argo Group U.S., Inc. and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 of Argo Group's Form 8-A filed with the Securities and Exchange Commission on September 21, 2012).
4.4	Form of 6.500% Senior Notes due September 15, 2042 (incorporated by reference to Exhibit 4.3 of Argo Group's Form 8-A filed with the Securities and Exchange Commission on September 21, 2012).
4.5	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	Deed Poll Guarantee of Argo Group International Holdings, Ltd. in respect of PXRE Reinsurance Ltd., dated as of September 1, 2002 (incorporated by reference to Exhibit 10.3a to Argo Group's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)
10.2	$325,000,000 Credit Agreement, dated as of November 2, 2018, among Argo Group International Holdings, Ltd., Argo Group U.S., Inc., Argo International Holdings Limited and Argo Underwriting Agency Limited, 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 the other parties thereto (incorporated by reference to Exhibit 10.1 to Argo Group's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2018).
10.3	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 Argo Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).*
10.4	Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 to Argo Group's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on December 10, 2007).*
10.5	Argo Group International Holdings, Ltd. 2014 Long-Term Incentive Plan (incorporated by reference to Appendix I to Argo Group'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 Argo Group's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on June 25, 2019).*

[(1)] Argo Group and its subsidiary, Argo Group U.S., Inc., have several series of outstanding junior subordinated debentures as described in the footnotes to our consolidated financial statements filed with our Annual Report on Form 10-K. We will provide the SEC with copies of the instruments governing such junior subordinated debentures upon the SEC's request in accordance with Regulation S-K Item 601(b)(4)(iii)(A).

Exhibit Number	Description
10.7	Argonaut Group, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to Argo Group's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 29, 2007).*
10.8	Argonaut Group, Inc. Retirement Plan (incorporated by reference to Exhibit 10.2 to Argonaut Group, Inc.'s Form 10 Registration Statement dated September 3, 1986, filed with the Securities and Exchange Commission on September 4, 1986).*
10.9	401(k) Retirement Savings Plan (incorporated by reference to the Exhibit 10.4 to Argonaut Group, Inc.'s Form 10-K filed with the Securities and Exchange Commission on February 28, 1989).*
10.10	Argonaut Group, Inc. Amended and Restated Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 99.2 to Argo Group's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 29, 2007).*
10.11	Form of Cash-Settled Share Appreciation Rights Agreement (incorporated by reference to Exhibit 10.2 to Argo Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).*
10.12	Form of Stock-Settled Share Appreciation Right Agreement (incorporated by reference to Exhibit 10.3 to Argo Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).*
10.13	Form of Restricted Share Agreement (incorporated by reference to Exhibit 10.4 to Argo Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).*
10.14	Form of Restricted Share Unit Grant Agreement (incorporated by reference to Exhibit 10.5 to Argo Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).*
10.15	Form of Performance Award Agreement (incorporated by reference to Exhibit 10.2 to Argo Group's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).*
10.16	Form of Incentive Award Agreement (Restricted Stock Awards and Cash Awards) - 2019 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to Argo Group's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).*
10.17	Executive Employment Agreement, effective as of November 5, 2018, between Argo Group International Holdings, Ltd. and Mark E. Watson III (incorporated by reference to Exhibit 10.2 to Argo Group's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2018.)*
10.18	Separation Agreement and Release, dated as of December 6, 2019, by and between Argo Group International Holdings, Ltd. and Mark E. Watson III (incorporated by reference to Exhibit 10.1 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2019).*
10.19	Escrow Agreement, dated as of December 9, 2019, between Argo Group International Holdings, Ltd., Mark E. Watson III and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 10.2 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2019).*
10.20	Executive Employment Agreement, effective as of January 1, 2019, between Argo Group U.S., Inc. and Kevin J. Rehnberg (incorporated by reference to Exhibit 10.1 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019).*
10.21	Executive Employment Agreement, dated as of April 26, 2019, by and between Argo Group International Holdings, Ltd. and Jay S. Bullock (incorporated by reference to Exhibit 10.1 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2019).*
10.22	Employment Contract, dated May 12, 2014, between Argo Group International Holdings, Ltd. and Axel Schmidt (incorporated by reference to Exhibit 10.11 to Argo Group's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2015).*
10.23	Executive Employment Agreement, dated October 1, 2016, between Argo Group International Holdings, Ltd. and Jose Hernandez (incorporated by reference to Exhibit 10.1 to Argo Group's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 5, 2017).*
10.24	Letter Agreement, dated as of April 26, 2019, between Argo Group International Holdings, Ltd. and Jose Hernandez (incorporated by reference to Exhibit 10.2 to Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2019).*

Exhibit Number	Description
10.25	Cooperation Agreement, dated 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 Argo Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 1, 2020).
21	Subsidiaries of Registrant
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).
*	A management contract or compensatory plan required to be filed herewith.

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/ Kevin J. Rehnberg

Kevin J. Rehnberg

President and Chief Executive Officer

Date: February 28, 2020

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/ Kevin J. Rehnberg Kevin J. Rehnberg	President, Chief Executive Officer (principal executive officer)	February 28, 2020
/s/ Jay S. Bullock Jay S. Bullock	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	February 28, 2020
/s/ Gary V. Woods Gary V. Woods	Director	February 28, 2020
/s/ Thomas A. Bradley Thomas A. Bradley	Director	February 28, 2020
/s/ F. Sedgwick Browne F. Sedgwick Browne	Director	February 28, 2020
/s/ Hector De Leon Hector De Leon	Director	February 28, 2020
/s/ Mural R. Josephson Mural R. Josephson	Director	February 28, 2020
/s/ Tony P. Latham Tony P. Latham	Director	February 28, 2020
/s/ Dee Lehane Dee Lehane	Director	February 28, 2020
/s/ Samuel G. Liss Samuel G. Liss	Director	February 28, 2020
/s/ Carol A. McFate Carol A. McFate	Director	February 28, 2020
/s/ Kathleen A. Nealon Kathleen A. Nealon	Director	February 28, 2020
/s/ John R. Power, Jr. John R. Power, Jr.	Director	February 28, 2020
/s/ Al-Noor Ramji Al-Noor Ramji	Director	February 28, 2020
/s/ John H. Tonelli John H. Tonelli	Director	February 28, 2020

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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, 2019 and 2018, the related consolidated statements of (loss) income, comprehensive (loss) income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, 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 financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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) (the PCAOB), the Company's internal control over financial reporting as of December 31, 2019, 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 February 28, 2020 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, 2019, the liability for incurred but not reported (IBNR) reserves represented a significant portion of the $5,157.6 million of reserves for losses and loss adjustment (LAE) expenses. As discussed in Notes 1 and 5 to the consolidated financial statements, the carrying amount 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, 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 due to 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. 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. 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 claims frequency and severity and review of settlement patterns, to factors historically used and current industry benchmarks for general liability, workers' compensation, and other casualty lines of business. We independently calculated a range of reserves estimates for comparison to management's best estimate and we also performed a review of the development of prior year's estimate.

Adoption of ASU No. 2016-01

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for equity investments in 2018 due to the adoption of ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities.

/s/ Ernst & Young LLP

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

San Antonio, Texas
February 28, 2020

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

	December 31, 2019	December 31, 2018
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: 2019 - $3,605.0; 2018 - $3,529.1)	$ 3,633.5	$ 3,460.4
Equity securities, at fair value (cost: 2019 - $122.8; 2018 - $310.6)	124.4	354.5
Other investments (cost: 2019 - $482.5; 2018 - $482.0)	496.5	489.8
Short-term investments, at fair value (cost: 2019 - $844.8; 2018 - $482.3)	845.0	482.3
Total investments	5,099.4	4,787.0
Cash	137.8	139.2
Accrued investment income	25.7	27.2
Premiums receivable	688.2	649.9
Reinsurance recoverables	3,104.6	2,688.3
Goodwill	161.4	177.0
Intangible assets, net of accumulated amortization	91.8	93.5
Current income taxes receivable, net	—	8.2
Deferred tax asset, net	6.1	—
Deferred acquisition costs, net	160.2	167.3
Ceded unearned premiums	545.0	457.7
Operating lease right-of-use assets	91.8	—
Other assets	387.1	362.9
Assets held for sale	15.4	—
Total assets	$ 10,514.5	$ 9,558.2
Liabilities and Shareholders' Equity		
Reserves for losses and loss adjustment expenses	$ 5,157.6	$ 4,654.6
Unearned premiums	1,410.9	1,300.9
Accrued underwriting expenses and other liabilities	226.0	261.9
Ceded reinsurance payable, net	1,203.1	970.5
Funds held	50.6	37.2
Senior unsecured fixed rate notes	140.0	139.8
Other indebtedness	181.3	183.4
Junior subordinated debentures	257.4	257.0
Current income taxes payable, net	0.8	—
Deferred tax liabilities, net	—	6.2
Operating lease liabilities	105.7	—
Total liabilities	8,733.4	7,811.5
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common shares - $1.00 par, 500,000,000 shares authorized; 45,698,470 and 45,276,999 shares issued at December 31, 2019 and December 31, 2018, respectively	45.7	45.3
Additional paid-in capital	1,376.6	1,372.0
Treasury shares (11,315,889 shares at December 31, 2019 and December 31, 2018, respectively)	(455.1)	(455.1)
Retained earnings	811.1	862.6
Accumulated other comprehensive income (loss), net of taxes	2.8	(78.1)
Total shareholders' equity	1,781.1	1,746.7
Total liabilities and shareholders' equity	$ 10,514.5	$ 9,558.2

See accompanying notes.

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

	For the Years Ended December 31,		
	2019	2018	2017
Premiums and other revenue:			
Earned premiums	$ 1,729.5	$ 1,731.7	$ 1,572.3
Net investment income	151.1	133.1	140.0
Fee and other income	9.1	9.0	22.5
Net realized investment gains (losses):			
Net realized investment gains	120.8	33.1	39.3
Change in fair value of equity securities	(40.8)	(105.1)	—
Net realized investment gains (losses)	80.0	(72.0)	39.3
Total revenue	1,969.7	1,801.8	1,774.1
Expenses:			
Losses and loss adjustment expenses	1,220.7	1,040.8	1,050.2
Underwriting, acquisition and insurance expenses	665.8	654.7	635.4
Other corporate expenses	37.6	—	—
Interest expense	33.6	31.6	27.7
Fee and other expense	5.8	7.1	14.6
Foreign currency exchange (gains) loss	(9.6)	(0.1)	6.3
Impairment of goodwill	15.6	—	—
Total expenses	1,969.5	1,734.1	1,734.2
Income before income taxes	0.2	67.7	39.9
Income tax provision (benefit)	8.6	4.1	(10.4)
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3
Net (loss) income per common share:			
Basic	$ (0.25)	$ 1.87	$ 1.46
Diluted	$ (0.25)	$ 1.83	$ 1.42
Dividend declared per common share	$ 1.24	$ 1.08	$ 0.94
Weighted average common shares:			
Basic	34,205,954	33,922,009	34,457,098
Diluted	34,205,954	34,678,781	35,371,644

	For the Years Ended December 31,		
	2019	2018	2018
Net realized investment gains (losses) before other-than-temporary impairment losses	$ 100.3	$ (64.4)	$ 41.8
Other-than-temporary impairment losses recognized in earnings:			
Other-than-temporary impairment losses on fixed maturities	(20.3)	(6.6)	(0.8)
Other-than-temporary impairment losses on equity securities	—	—	(1.7)
Other-than-temporary impairment losses on other invested assets	—	(1.0)	—
Impairment losses recognized in earnings	(20.3)	(7.6)	(2.5)
Net realized investment gains (losses)	$ 80.0	$ (72.0)	$ 39.3

See accompanying notes.

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

	For the Years Ended December 31,		
	2019	2018	2017
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3
Other comprehensive income (loss):			
Foreign currency translation adjustments	(0.2)	(3.4)	(1.4)
Defined benefit pension plans:			
Net (loss) gain arising during the year	(1.8)	1.2	1.2
Unrealized gains (losses) on securities:			
Gains (losses) arising during the year	88.0	(93.9)	105.7
Reclassification adjustment for losses (gains) included in net income	9.9	5.4	(41.6)
Other comprehensive income (loss) before tax	95.9	(90.7)	63.9
Income tax provision related to other comprehensive income:			
Defined benefit pension plans:			
Net (loss) gain arising during the year	(0.4)	0.2	0.4
Unrealized gain (losses) on securities:			
Gain (losses) arising during the year	14.2	(13.5)	28.0
Reclassification adjustment for losses (gains) included in net income	1.2	0.5	(13.4)
Income tax provision (benefit) related to other comprehensive income	15.0	(12.8)	15.0
Other comprehensive income (loss), net of tax	80.9	(77.9)	48.9
Comprehensive income (loss)	$ 72.5	$ (14.3)	$ 99.2

See accompanying notes.

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

	Common Shares	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, January 1, 2017	$ 40.0	$ 1,123.3	$ (378.2)	$ 959.9	$ 47.7	$ 1,792.7
Net income	—	—	—	50.3	—	50.3
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	49.5	49.5
Other comprehensive loss, net - other	—	—	—	—	(0.6)	(0.6)
Repurchase of common shares (756,252 at a weighted average price of $59.76)	—	—	(45.2)	—	—	(45.2)
Activity under stock incentive plans	0.4	12.0	—	—	—	12.4
Retirement of common shares (tax payments on equity compensation)	(0.1)	(8.1)	—	—	—	(8.2)
Employee stock purchase plan	0.1	1.9	—	—	—	2.0
Cash dividend declared - common shares ($0.94/share)	—	—	—	(33.2)	—	(33.2)
Balance, December 31, 2017	40.4	1,129.1	(423.4)	977.0	96.6	1,819.7
Net income	—	—	—	63.6	—	63.6
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	(75.5)	(75.5)
Other comprehensive loss, net - other	—	—	—	—	(2.4)	(2.4)
Repurchase of common shares (530,882 at a weighted average price of $59.83)	—	—	(31.7)	—	—	(31.7)
Activity under stock incentive plans	0.6	15.3	—	—	—	15.9
Retirement of common shares (tax payments on equity compensation)	(0.1)	(7.3)	—	—	—	(7.4)
Employee stock purchase plan	—	2.0	—	—	—	2.0
15% Stock Dividend	4.4	232.9	—	(237.3)	—	—
Cash dividend declared - common shares ($1.08/share)	—	—	—	(37.5)	—	(37.5)
Cumulative effect of adoption of ASU 2016-01, net of taxes	—	—	—	117.5	(117.5)	—
Cumulative effect of adoption of ASU 2018-02, net of taxes	—	—	—	(20.7)	20.7	—
Balance, December 31, 2018	45.3	1,372.0	(455.1)	862.6	(78.1)	1,746.7
Net loss	—	—	—	(8.4)	—	(8.4)
Other comprehensive income - change in fair value of fixed maturities, net of taxes	—	—	—	—	82.5	82.5
Other comprehensive loss, net - other	—	—	—	—	(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)	$ 811.1	$ 2.8	$ 1,781.1

See accompanying notes.

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

	For the Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Amortization and depreciation	27.3	31.9	33.8
Share-based payments expense	16.9	18.3	12.3
Deferred income tax benefit, net	(26.5)	(12.6)	(17.9)
Net realized investment (gains) loss	(80.0)	72.0	(39.3)
Undistributed earnings from alternative investment portfolio	(19.9)	(19.8)	(49.5)
Loss on disposals of long-lived assets, net	7.2	0.3	2.1
Impairment of goodwill	15.6	—	—
Change in:			
Accrued investment income	1.5	(3.5)	(2.7)
Receivables	(460.4)	(557.5)	(602.7)
Deferred acquisition costs	7.0	(7.3)	(11.5)
Ceded unearned premiums	(87.8)	(47.6)	(4.2)
Reserves for losses and loss adjustment expenses	509.0	338.3	653.9
Unearned premiums	111.7	76.4	85.5
Ceded reinsurance payable and funds held	246.5	226.5	88.8
Income taxes	8.9	(6.1)	(8.9)
Accrued underwriting expenses and other liabilities	(5.4)	110.2	(23.5)
Other, net	(79.9)	18.2	(1.5)
Cash provided by operating activities	183.3	301.3	165.0
Cash flows from investing activities:			
Sales of fixed maturity investments	1,394.3	1,259.1	1,433.3
Maturities and mandatory calls of fixed maturity investments	522.2	418.6	678.3
Sales of equity securities	374.7	238.9	201.1
Sales of other investments	83.1	101.8	95.5
Purchases of fixed maturity investments	(1,859.1)	(1,936.0)	(2,464.1)
Purchases of equity securities	(61.2)	(170.5)	(157.7)
Purchases of other investments	(63.7)	(42.6)	(39.0)
Change in foreign regulatory deposits and voluntary pools	—	13.0	(7.2)
Change in short-term investments	(490.4)	(132.2)	306.7
Settlements of foreign currency exchange forward contracts	0.3	(1.5)	(2.9)
Acquisition of Maybrooke, net of cash acquired	—	—	(105.2)
Cash acquired with acquisition of Ariscom	—	15.6	—
Purchases of fixed assets	(29.9)	(32.2)	(30.6)
Other, net	(13.1)	(0.3)	(29.5)
Cash used in investing activities	(142.8)	(268.3)	(121.3)
Cash flows from financing activities:			
Additional long-term borrowings	—	—	125.0
Payment on note payable	(0.6)	—	—
Activity under stock incentive plans	1.9	1.6	1.4
Repurchase of Company's common shares	—	(31.7)	(45.2)
Payment of cash dividends to common shareholders	(43.1)	(37.5)	(33.2)
Cash (used in) provided by financing activities	(41.8)	(67.6)	48.0
Effect of exchange rate changes on cash	(0.1)	(2.8)	(1.1)
Change in cash	(1.4)	(37.4)	90.6
Cash, beginning of year	139.2	176.6	86.0
Cash, end of period	$ 137.8	$ 139.2	$ 176.6

See accompanying notes.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Significant Accounting Policies

Business

Argo Group International Holdings, Ltd. (“Argo Group,” “we” or the “Company”) is an international underwriter of specialty insurance and reinsurance 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.

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 Insurance, Rockwood Casualty Insurance Company (“Rockwood”), Argo Pro, Argo Surety, U.S. Specialty Programs, Inland Marine, Argo Cyber and Trident Insurance Services.

International Operations is comprised of the Lloyd’s Syndicate platform (Syndicate 1200 and Syndicate 1910), Argo Insurance Bermuda, Continental Europe and Latin America. Syndicate 1200 and Syndicate 1910 insurance and reinsurance 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 Argo Insurance Bermuda, ArgoGlobal SE in Malta, ArgoGlobal Assicurazioni S.p.A 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.

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 doubtful accounts; estimates of written and earned premiums; reinsurance premium receivable; fair value of investments and assessment of potential impairment; valuation of goodwill and other 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. Certain amounts in prior years’ financial statements have been reclassified to conform to the current presentation. Amounts related to trade capital providers, who are third-party capital participants that provide underwriting capital to both Syndicate 1200 and Syndicate 1910, 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.

We have used a series of special purpose reinsurance companies to provide reinsurance coverage through a series of transactions, including insurance-linked securities. Under the provisions of ASC Topic 810-10, these reinsurance companies are variable interest entities. However, we do not have a variable interest in these entities, and therefore are not required to consolidate them in our consolidated financial statements.

Stock Dividends

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

Cash

Cash consists of cash deposited in banks, generally in concentration and operating accounts. Interest-bearing cash accounts are classified as short-term investments.

Investments

Investments in fixed maturities at December 31, 2019 and 2018 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 (Loss) Income.

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 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 i) obtaining and reviewing internal control reports for our service providers that obtain fair values from third-party pricing services, ii) discussing with our investment managers their process for reviewing and validating pricing obtained from outside services and obtaining values for all securities from our investment managers and iii) comparing the security pricing received from the investment managers with the prices used in the consolidated financial statements and obtaining additional information for variances that exceeded a certain threshold. As of December 31, 2019, 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. Beginning with the adoption of Accounting Standards Update ("ASU") 2016-01, effective January 1, 2018, changes in the fair value of equity securities are now included in "Net realized investment (gains) losses" in our consolidated statements of income. See "Recently Issued Accounting Pronouncements" below for further information about ASU 2016-001 and the related impact on our consolidated financial statements.

Changes in the value of other investments consisting of hedge funds, private equity funds, private equity direct investments and voluntary pools are principally recognized to 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 evaluate our fixed maturity investments for other-than-temporary impairment. If the decline in the fair value of the investment is believed to be "other-than-temporary," the carrying value of the fixed maturity investment is written down and recorded as a realized loss in our Consolidated Statements of Income. When evaluating for impairment of our fixed maturity investments, a credit loss is generally based on the present value of expected cash flows of the security as compared to the amortized book value. Factors included in this evaluation can also include, but are not limited to, the credit default rate, which includes loan-to-value ratios and credit scores of borrowers. We also recognize other-than-temporary losses on our fixed maturity securities that we intend to sell.

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 doubtful accounts. The allowances for doubtful accounts were $7.3 million and $4.0 million at December 31, 2019 and 2018, respectively. Premiums receivable include amounts relating to the trade capital providers' quota share.

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. Reinsurance recoverables are presented in our consolidated balance sheets net of an allowance for doubtful accounts of $1.1 million and $1.8 million at December 31, 2019 and 2018, respectively (see Note 4, "Reinsurance" for related disclosures).

An estimate of amounts that are likely to be charged off is established as an allowance for doubtful accounts as of the balance sheet date. Our estimate includes specific insured and reinsurance balances that are considered probable to be charged off after all collection efforts have ceased and in accordance with historical write-off trends based on aging categories. Premiums receivable and reinsurance recoverables on paid losses written off, net of recoveries against the allowance for doubtful accounts or directly to the income statement are as follows:

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Premiums receivable	$ 1.5	$ 2.1	$ 1.5
Reinsurance recoverables	0.6	—	—
Net written off	$ 2.1	$ 2.1	$ 1.5

Recoveries occur when subsequent collection or litigation results in the receipt of amounts previously written off. Amounts recovered are applied against the bad debt expense account.

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 $5.4 million and $6.9 million at December 31, 2019 and 2018, respectively. The estimated amount included in premiums receivables for additional premiums due under retrospectively rated policies was $0.3 million and $0.4 million at December 31, 2019 and 2018, 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 2019 and 2018 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.

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 and reinsurance 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 18, "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 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, except for our European reporting unit. As a result of this testing, we determined that the goodwill of the European reporting unit, which is included in our International Operations segment, was fully impaired and recorded a pre-tax charge of $15.6 million. Our European 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 European reporting unit, which resulted in the indication that the carrying value of the reporting unit exceeded its fair value, resulting in the impairment.

As a result of the reviews performed on each of our reporting units for each of the years ended December 31, 2018 and 2017, we determined that the estimated fair value exceeded the respective carrying value of our reporting units for those years and goodwill was not impaired.

Other indefinite-lived intangible assets and intangible assets with finite lives were also reviewed for impairment as of October 1 of each year. As a result of the reviews performed on each of the entity's reporting units for the three years ended December 31, 2019, 2018 and 2017, the Company determined that the other indefinite-lived intangible assets and finite-lived intangible assets were not impaired.

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

	December 31,			
	2019		2018	
(in millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Lloyd's capacity	$ 89.0	n/a	$ 89.0	n/a
Distribution network	50.2	48.2	50.2	47.0
Other	8.1	7.3	8.1	6.8
	$ 147.3	$ 55.5	$ 147.3	$ 53.8

The remaining weighted average useful life by category at December 31, 2019 was 5.0 years for the distribution network and 5.0 years for other. The remaining weighted average useful life for all assets that have not yet been fully amortized was 5.0 years at December 31, 2019.

During the years ended December 31, 2019, 2018 and 2017, amortization expense was $1.7 million, $3.3 million and $5.9 million, respectively, and is included in "underwriting, acquisition and insurance expenses" in our consolidated statements of income (loss).

The estimated amortization expense for the years ended December 31, 2020, 2021 and 2022 is $1.3 million, $1.3 million and $0.1 million, respectively. As of December 31, 2019, we have no estimated amortization expense after the year ended December 31, 2022.

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 $153.2 million and $146.0 million at December 31, 2019 and 2018, respectively. The net book value of our property and equipment at December 31, 2019 and 2018 was $140.4 million and $154.8 million, respectively. The depreciation expense for the years ended December 31, 2019, 2018 and 2017 was $24.4 million, $24.5 million and $24.1 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. We anticipate the properties to be sold in the second half of 2020.

We have classified the properties as "Assets held for sale" in our Consolidated Balance Sheet as of December 31, 2019. We have recorded the properties at their fair market value as of December 31, 2019 based on independent real estate appraisals. As a result of the reclassification to "Assets held for sale," we recorded a pre-tax loss of $3.7 million, which is included in "Other corporate expenses" in our Consolidated Statements of (Loss) Income for the year ended December 31, 2019. These assets and the related pre-tax loss are reported as part of our Corporate and Other reporting segment in Note 18, "Segment Information".

Derivative Instruments

We enter into short-term, currency spot and forward contracts to manage operational currency exposure on our Canadian dollar (“CAD”) investment portfolio and certain catastrophic events, minimize negative impacts to investment portfolio returns, 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, 2019 and 2018, 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. Awards that are expected to be settled in cash are accounted for as liability awards, resulting in the fair value of the award being measured at each reporting date until the award is exercised, forfeited or expires unexercised. 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 13, “Share-based Compensation” for related disclosures.

Foreign Currency Exchange Gain (Loss)

The U.S. dollar is the functional currency of all but three of our foreign operations. Monetary assets and liabilities in foreign operations that are denominated in foreign currencies are revalued 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. 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. In the case of our foreign currency denominated available-for-sale investments, the change in exchange rates between the local currency and our functional currency 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).

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, 2019 and 2018, the foreign currency translation adjustments were a loss of $22.6 million and $22.4 million, respectively.

Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted in the United States. Among many changes resulting from TCJA, the new law (i) reduces the corporate tax rate to 21% effective January 1, 2018, (ii) eliminates the corporate alternative minimum tax for tax years beginning after December 31, 2017, (iii) allows businesses to immediately expense, for tax purposes, the cost of new investments in certain qualified depreciable assets, (iv) modifies the computation of loss reserve discounting for tax purposes, (v) modifies the recognition of income rules by requiring the recognition of income for certain items no later than the tax year in which an item is taken into account as income on an applicable financial statement and (vi) significantly modifies the United States international tax system.

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)	2019	2018	2017
Senior unsecured fixed rate notes	$ 9.3	$ 9.3	$ 9.3
Junior subordinated debentures	16.2	15.5	12.6
Other indebtedness	7.6	6.5	4.9
Revolving credit facility	—	—	0.3
Total interest paid	$ 33.1	$ 31.3	$ 27.1
Income taxes paid	24.0	24.8	16.5
Income taxes recovered	(0.1)	—	(2.5)
Income taxes paid, net	$ 23.9	$ 24.8	$ 14.0

Recently Adopted Accounting Pronouncements

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

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

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

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

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

2. Investments

Included in "total investments" in our consolidated balance sheets at December 31, 2019 and 2018 is $158.6 million and $133.4 million, respectively, of assets managed on behalf of the trade capital providers, who are third-party participants that provide underwriting capital to the operations of Syndicates 1200 and 1910.

Fixed Maturities

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

December 31, 2019

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities				
U.S. Governments	$ 353.5	$ 2.3	$ 1.2	$ 354.6
Foreign Governments	244.8	4.6	0.7	248.7
Obligations of states and political subdivisions	145.8	6.9	0.1	152.6
Corporate bonds	1,777.4	37.7	34.7	1,780.4
Commercial mortgage-backed securities	213.5	4.6	1.1	217.0
Residential mortgage-backed securities	479.1	10.4	0.6	488.9
Asset-backed securities	164.2	1.5	0.2	165.5
Collateralized loan obligations	226.7	0.5	1.4	225.8
Total fixed maturities	$ 3,605.0	$ 68.5	$ 40.0	$ 3,633.5

December 31, 2018

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

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of December 31, 2019, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	$ 294.2	$ 294.8
Due after one year through five years	1,495.0	1,491.0
Due after five years through ten years	653.2	666.6
Thereafter	79.1	83.9
Structured securities	1,083.5	1,097.2
Total	$ 3,605.0	$ 3,633.5

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, 2019 and 2018 were as follows:

December 31, 2019 (in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 109.5	
Private equity	268.1	110.0
Long only funds	114.6	
Other	4.3	
Total other investments	$ 496.5	$ 110.0

December 31, 2018 (in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 120.6	$ —
Private equity	211.8	120.5
Long only funds	153.0	—
Other	4.4	—
Total other invested assets	$ 489.8	$ 120.5

The following describes each investment type:

- **Hedge funds:** Hedge funds include funds that primarily buy and sell stocks including short sales, multi-strategy credit, relative value credit and distressed credit.
- **Private equity:** Private equity includes buyout funds, real asset/infrastructure funds, credit special situations funds, mezzanine lending funds and direct investments and strategic non-controlling minority investments in private companies that are principally accounted for using the equity method of accounting.
- **Long only funds:** Our long only funds include a fund that primarily owns international stocks and funds that primarily own investment-grade corporate and sovereign fixed income securities.
- **Other:** Other includes participation in investment pools.

Unrealized Losses and Other-than-temporary Impairments

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

December 31, 2019	Less Than One Year		One Year or Greater		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities						
U.S. Governments	$ 114.6	$ 1.1	$ 17.0	$ 0.1	$ 131.6	$ 1.2
Foreign Governments	117.6	0.7	5.1	—	122.7	0.7
Obligations of states and political subdivisions	0.7	—	2.1	0.1	2.8	0.1
Corporate bonds	249.4	18.9	63.6	15.8	313.0	34.7
Commercial mortgage-backed securities	74.8	1.1	4.9	—	79.7	1.1
Residential mortgage-backed securities	66.9	0.3	25.2	0.3	92.1	0.6
Asset-backed securities	22.5	0.1	18.9	0.1	41.4	0.2
Collateralized loan obligations	54.7	0.8	116.7	0.6	171.4	1.4
Total fixed maturities	$ 701.2	$ 23.0	$ 253.5	$ 17.0	$ 954.7	$ 40.0

December 31, 2018	Less Than One Year		One Year or Greater		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities						
U.S. Governments	$ 28.2	$ 0.2	$ 173.0	$ 4.7	$ 201.2	$ 4.9
Foreign Governments	73.4	3.6	125.0	4.2	198.4	7.8
Obligations of states and political subdivisions	53.3	0.6	25.3	0.6	78.6	1.2
Corporate bonds	964.3	45.7	440.8	13.0	1,405.1	58.7
Commercial mortgage-backed securities	48.5	0.6	90.6	2.6	139.1	3.2
Residential mortgage-backed securities	63.5	0.7	176.1	5.0	239.6	5.7
Asset-backed securities	73.6	0.6	64.2	0.6	137.8	1.2
Collateralized loan obligations	209.5	3.3	10.3	0.2	219.8	3.5
Total fixed maturities	$ 1,514.3	$ 55.3	$ 1,105.3	$ 30.9	$ 2,619.6	$ 86.2

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

We hold a total of 6,069 securities, of which 909 were in an unrealized loss position for less than one year and 330 were in an unrealized loss position for a period one year or greater as of December 31, 2019. Unrealized losses greater than twelve months on fixed maturities were the result of a number of factors, including increased credit spreads, foreign currency fluctuations and higher market yields relative to the date the securities were purchased, and for structured securities, by the performance of the underlying collateral, as well. In considering whether an investment is other-than-temporarily impaired or not, we also considered that we do not intend to sell the investments and it is unlikely that we will be required to sell the investments before recovery of their amortized cost bases, which may be maturity. We do not consider these investments to be other-than-temporarily impaired at December 31, 2019.

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

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Other-than-temporary impairment:			
Foreign governments	$ (2.0)	$ —	$ —
Obligations of states and political subdivisions	(0.1)	—	(0.1)
Corporate bonds	(18.2)	(6.6)	(0.7)
Equity securities	—	—	(1.7)
Other invested assets	—	(1.0)	—
Other-than-temporary impairment losses	$ (20.3)	$ (7.6)	$ (2.5)

Net Investment Income

Investment income and expenses were as follows:

(in millions)	For the Years Ended December 31, 2019	2018	2017
Investment income:			
Interest on fixed maturities	$ 129.5	$ 115.0	$ 97.1
Dividends on equity securities	11.1	12.5	13.9
Income on alternative investments	22.4	19.8	49.5
Income on short-term and other investments	8.9	9.5	7.7
Investment income	171.9	156.8	168.2
Investment expenses	(20.8)	(23.7)	(28.2)
Net investment income	$ 151.1	$ 133.1	$ 140.0

Net Realized Investment Gains and Losses

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

(in millions)	For the Years Ended December 31, 2019	2018	2017
Realized gains on fixed maturities and other			
Fixed maturities	$ 22.2	$ 17.7	$ 25.7
Other investments	33.0	41.4	25.7
Other assets and short-term investments	—	0.2	0.7
	55.2	59.3	52.1
Realized losses on fixed maturities and other			
Fixed maturities	(11.7)	(16.0)	(20.0)
Other investments	(31.3)	(39.5)	(36.2)
Short-term investments	—	(0.5)	(0.2)
Other-than-temporary impairment losses on fixed maturities	(20.3)	(6.6)	(0.8)
Other-than-temporary impairment losses on other assets	—	(1.0)	—
	(63.3)	(63.6)	(57.2)
Equity securities [1]			
Net realized gains on equity securities	128.9	37.4	46.1
Other-than-temporary impairment losses on equity securities	—	—	(1.7)
Change in unrealized (losses) on equity securities held at the end of the period	(40.8)	(105.1)	—
Net realized gains (losses) on equity securities	88.1	(67.7)	44.4
Net realized investment gains (losses) before income taxes	80.0	(72.0)	39.3
Income tax provision	(16.2)	(11.2)	(12.0)
Net realized investment gains (losses) net of income taxes	$ 63.8	$ (83.2)	$ 27.3

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

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

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

(in millions)	For the Years Ended December 31, 2019	2018	2017
Change in unrealized gains (losses)			
Fixed maturities	$ 93.3	$ (88.1)	$ 25.4
Equity securities	—	—	36.6
Other investments	4.4	0.1	2.1
Other and short-term investments	0.2	(0.5)	—
Net unrealized investment gains (losses) before income taxes	97.9	(88.5)	64.1
Income tax (provision) benefit	(15.4)	13.0	(14.6)
Net unrealized investment gains (losses), net of income taxes	$ 82.5	$ (75.5)	$ 49.5

Foreign Currency Exchange Forward Contracts

We entered into foreign currency exchange forward contracts to manage operational currency exposure on our Canadian dollar ("CAD") investment portfolio and certain catastrophic events, minimize negative impacts to investment portfolio returns, and gain exposure to a total return strategy which invests in multiple currencies. The currency forward contracts are carried at fair value in our consolidated balance sheets in "other assets" at December 31, 2019 and 2018. The gains and losses are included in "net realized investment and other gains" in our consolidated statements of income.

The fair value of our foreign currency exchange forward contracts as of December 31 was as follows:

(in millions)	December 31, 2019	December 31, 2018
Operational currency exposure	$ (0.8)	$ 4.4
Asset manager investment exposure	(0.3)	(0.3)
Total return strategy	2.2	(1.5)
Total	$ 1.1	$ 2.6

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

(in millions)	For the Years Ended December 31, 2019	2018	2017
Realized gains			
Operational currency exposure	5.7	9.7	12.4
Asset manager investment exposure	2.7	5.8	1.5
Total return strategy	22.5	26.7	10.4
Gross realized investment gains	30.9	42.2	24.3
Realized losses			
Operational currency exposure	(10.6)	(7.9)	(13.8)
Asset manager investment exposure	(0.8)	(3.0)	(11.3)
Total return strategy	(17.6)	(28.6)	(7.6)
Gross realized investment losses	(29.0)	(39.5)	(32.7)
Net realized investment gains (losses) on foreign currency exchange forward contracts	$ 1.9	$ 2.7	$ (8.4)

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, 2019	December 31, 2018
Securities on deposit for regulatory and other purposes	$ 192.5	$ 172.6
Securities pledged as collateral for letters of credit and other	169.9	120.9
Securities and cash on deposit supporting Lloyd's business	412.8	376.8
Total restricted investments	$ 775.2	$ 670.3

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Market participants are buyers and sellers in the principal (or most advantageous) market that are independent, knowledgeable, able to transact for the asset or liability and willing to transfer the asset or liability.

Valuation techniques consistent with the market 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, 2019 and 2018. A description of the valuation techniques we use to measure assets at fair value is as follows:

Fixed Maturities (Available-for-Sale) Levels 1 and 2:

- United States Treasury securities are typically valued using Level 1 inputs. For these securities, we obtain fair value measurements from third-party pricing services using quoted prices (unadjusted) in active markets at the reporting date.
- United States Government agencies, non-U.S. Government securities, obligations of states and political subdivisions, credit securities and foreign denominated government and credit securities are reported at fair value using Level 2 inputs. For these securities, we obtain fair value measurements from third-party pricing services. Observable data may include dealer quotes, market spreads, yield curves, live trading levels, trade execution data, credit information and the security's terms and conditions, among other things.
- Asset and mortgage-backed securities and collateralized loan obligations are reported at fair value using Level 2 inputs. For these securities, we obtain fair value measurements from third-party pricing services. Observable data may include dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things.

Fixed Maturities 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:

		Fair Value Measurements at Reporting Date Using		
(in millions)	December 31, 2019	Level 1 [a]	Level 2 [b]	Level 3 [c]
Fixed maturities				
U.S. Governments	$ 354.6	$ 349.1	$ 5.5	$ —
Foreign Governments	248.7	—	248.7	—
Obligations of states and political subdivisions	152.6	—	152.6	—
Corporate bonds	1,780.4	—	1,773.0	7.4
Commercial mortgage-backed securities	217.0	—	217.0	—
Residential mortgage-backed securities	488.9	—	488.9	—
Asset-backed securities	165.5	—	165.5	—
Collateralized loan obligations	225.8	—	225.8	—
Total fixed maturities	3,633.5	349.1	3,277.0	7.4
Equity securities	124.4	117.8	—	6.6
Other investments	400.2	—	400.2	—
Short-term investments	845.0	823.5	21.5	—
	$ 5,003.1	$ 1,290.4	$ 3,698.7	$ 14.0

[a] Quoted prices in active markets for identical asset

[b] Significant other observable inputs

[c] Significant unobservable inputs

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

[a] Quoted prices in active markets for identical 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, 2019	$ 2.2	$ 8.2	$ 10.4
Transfers into Level 3	3.5	—	3.5
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	(0.4)	(1.6)	(2.0)
Included in other comprehensive income	0.6	—	0.6
Purchases, issuances, sales, and settlements:			
Purchases	1.9	—	1.9
Issuances	—	—	—
Sales	(0.4)	—	(0.4)
Settlements	—	—	—
Ending balance, Ending balance, December 31, 2019	$ 7.4	$ 6.6	$ 14.0
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, 2019	$ —	$ —	$ —

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2018	$ 1.9	$ 2.3	$ 4.2
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in net income	—	0.2	0.2
Included in other comprehensive loss	0.3	—	0.3
Purchases, issuances, sales, and settlements:			
Purchases	—	7.3	7.3
Issuances	—	—	—
Sales	—	(1.6)	(1.6)
Settlements	—	—	—
Ending balance, Ending balance, December 31, 2018	$ 2.2	$ 8.2	$ 10.4
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2018	$ —	$ —	$ —

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

3. Leases

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

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

Our operating lease obligations are for office facilities, corporate housing and equipment. Our leases have remaining lease terms ranging between less than 1 year to 14 years, some of which include options to extend the leases. Expenses associated with leases totaled $23.4 million for the year ended December 31, 2019, as compared to $20.6 million for the year ended December 31, 2018. The components of lease expense and other lease information as of and during the year ended December 31, 2019, are as follows:

	December 31,
(in millions)	2019
Operating leases right-of-use assets	$ 91.8
Operating lease liabilities	105.7
Operating lease weighted-average remaining lease term	9.91
Operating lease weighted-average discount rate	3.86%

(in millions)	For the Year Ended December 31, 2019
Operating lease costs	$ 19.3
Variable lease costs	4.5
Sublease income	(0.4)
Total lease costs	$ 23.4
Operating cash flows from operating leases (fixed payments)	$ 17.5
Operating cash flows from operating leases (liability reduction)	$ 18.3

Our finance leases and short-term leases as of December 31, 2019 were not material.

In December 2019, we re-assessed three real estate leases and based on current facts and circumstances, determined that the leases were terminated. Termination of these leases did not have a material impact on the Consolidated Statement of Income (Loss) for the year ended December 31, 2019. Impact to the Consolidated Balance Sheet was a reduction to the right of use asset and to the lease liability in the amount of $4.2 million.

In December 2019, we sold our corporate aircraft for $15.5 million and as a result, terminated the related lease. As a result of this termination, we recorded a realized loss on the sale of the corporate aircraft of $2.8 million. Impact to the consolidated balance sheet was a reduction to the right of use asset and to the lease liability in the amount of $10.9 million.

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

	December 31,	
(in millions)	2019	2018
2020	15.1	18.7
2021	14.5	18.6
2022	13.0	17.5
2023	10.6	14.7
2024	9.6	12.3
Thereafter	67.5	80.1
Total future minimum lease payments	$ 130.3	$ 161.9
Future lease obligations	—	
Less imputed interest	(24.6)	N/A
Total operating lease liability	$ 105.7	N/A

We have certain investment properties that we lease to independent, third parties. These properties consist of an office building that is currently leased through August 2026 and three condominiums that are leased on a short-term basis. The carrying value of the office building is included in “Other assets” on our consolidated balance sheet. The condominiums were placed for sale in December 2019. The carrying value of these condominiums are included in the “Assets held for Sale” on our consolidated balance sheet. Income for these leased properties was $2.8 million for each of the years ended December 31, 2019 and 2018. Income for these leased properties is included in “fee and other income” on our consolidated statements of income (loss).

4. 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 $1.1 million and $1.8 million as of December 31, 2019 and 2018, respectively. 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 $1,184.7 million and $944.0 million at December 31, 2019 and 2018, 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 $669.7 million and $596.6 million as of December 31, 2019 and 2018, 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 $1,220.7 million, $1,040.8 million and $1,050.2 million for the years ended December 31, 2019, 2018 and 2017, respectively, are net of amounts ceded to reinsurers of $1,031.1 million, $888.9 million and $992.6 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 6, “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 currently assume property related reinsurance primarily through our subsidiaries, 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)	2019	2018	2017
Direct written premiums	$ 2,509.5	$ 2,293.8	$ 2,029.2
Reinsurance ceded to other companies	(1,374.8)	(1,189.7)	(1,043.7)
Reinsurance assumed from other companies	619.7	661.4	668.0
Net written premiums	$ 1,754.4	$ 1,765.5	$ 1,653.5
Direct earned premiums	$ 2,411.5	$ 2,201.9	$ 1,912.2
Reinsurance ceded to other companies	(1,286.0)	(1,137.9)	(1,033.6)
Reinsurance assumed from other companies	604.0	667.7	693.7
Net earned premiums	$ 1,729.5	$ 1,731.7	$ 1,572.3
Percentage of reinsurance assumed to net earned premiums	34.9%	38.6%	44.1%

5. Reserves for Losses and Loss Adjustment Expenses

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

(in millions)	For the Years Ended December 31, 2019	2018	2017
Net reserves beginning of the year	$ 2,562.9	$ 2,488.0	$ 2,180.2
Net Maybrooke reserves acquired	—	—	131.8
Net reserves acquired	—	43.4	—
Add:			
Losses and LAE incurred during current calendar year, net of reinsurance:			
Current accident year	1,082.6	1,058.8	1,058.4
Prior accident years	138.1	(18.0)	(8.2)
Losses and LAE incurred during calendar year, net of reinsurance	1,220.7	1,040.8	1,050.2
Deduct:			
Losses and LAE payments made during current calendar year, net of reinsurance:			
Current accident year	224.3	273.3	289.6
Prior accident years	806.0	665.6	599.8
Losses and LAE payments made during current calendar year, net of reinsurance:	1,030.3	938.9	889.4
Change in participation interest [1]	(14.4)	(25.5)	(23.2)
Foreign exchange adjustments	(16.2)	(44.9)	38.4
Net reserves - end of period	2,722.7	2,562.9	2,488.0
Add:			
Reinsurance recoverables on unpaid losses and LAE, end of period	2,434.9	2,091.7	1,713.0
Gross reserves - end of period	$ 5,157.6	$ 4,654.6	$ 4,201.0

[1] 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.

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, 2019	2018	2017
U.S. Operations	$ 15.7	$ (20.8)	$ (38.7)
International Operations	110.4	(9.5)	13.2
Run-off Lines	12.0	12.3	17.3
Total unfavorable (favorable) prior-year development	$ 138.1	$ (18.0)	$ (8.2)

The following describes the primary factors behind each segment's prior accident year reserve development for the years ended December 31, 2019, 2018 and 2017:

Year ended December 31, 2019:

- *U.S. Operations:* 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:* 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 cover-holders 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 cover-holders, which included the identification of differences from original expectations with regard to the classes written, the distribution of writings by geography, and the rates charged by the cover-holders.
- *Run-off Lines:* Unfavorable development in 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.

Year ended December 31, 2018:

- *U.S. Operations:* Favorable development in general liability and surety lines, partially offset by unfavorable development in commercial multi-peril lines.
- *International Operations:* Favorable development in property partially offset by unfavorable development within specialty and liability lines.
- *Run-off Lines:* Unfavorable development in liability lines as well as asbestos and environmental.

Year ended December 31, 2017:

- *U.S. Operations:* Favorable development in our general liability, workers compensation, surety and commercial automobile lines.
- *International Operations:* Unfavorable development in the property and liability lines, primarily due to the first quarter 2017 Ogden rate change and claims from Hurricane Matthew. Partially offsetting this unfavorable development was favorable development on the property reinsurance lines.
- *Run-off Lines:* Unfavorable development on prior accident years driven by our asbestos exposure due to increasing defense costs and an increase in the time claims remain open, and in other run-off lines, partially offset by favorable development in the run-off risk-management lines.

In the opinion of management, our reserves represent the best estimate of our ultimate liabilities, based on currently known facts, current law, current technology and assumptions considered reasonable where facts are not known. Due to the significant uncertainties and related management judgments, there can be no assurance that future favorable or unfavorable loss development, which may be material, will not occur.

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, further disaggregated within each segment by our operating divisions and the primary insurance and reinsurance lines of business we write. 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 18, “Segment Information,” for additional information regarding our two ongoing reporting segments.

Operating Divisions

Our U.S. Operations reporting segment is comprised of two primary operating divisions, Excess and Surplus Lines and Specialty Admitted, while International Operations' primary operating divisions are Syndicate 1200, Reinsurance, Argo Insurance Bermuda and Europe. Each of these operating divisions are further described below.

Excess and Surplus Lines

The Excess and Surplus Lines division focuses on U.S.-based risks that the standard (admitted) market is unwilling or unable to underwrite. The standard market's limited appetite for such coverage is often driven by the insured's unique risk characteristics, the perils involved, the nature of the business, and/or the insured's loss experience. We are often able to underwrite these risks with more flexible policy terms through our Excess and Surplus Lines division. We underwrite this business on both an admitted and non-admitted basis.

Specialty Admitted

This Specialty Admitted division provides coverages designed to meet the specialized insurance needs of U.S.-based businesses within certain well-defined markets. It targets business classes and industries with distinct risk profiles that can benefit from specially designed insurance programs, tailored loss control and expert claims handling. This division serves its targeted niche markets with a narrowly focused underwriting profile and specialized knowledge of the businesses it serves.

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.

Reinsurance

The Reinsurance division operates in two areas - treaty property and specialty. This business is focused on mainly North American commercial properties and writes on both a primary and excess basis. Business is written on an open market basis through retail and wholesale brokers. Treaty property reinsurance is predominantly catastrophe-focused. Specialty reinsurance encompasses marine, energy, aviation, terrorism and property. This reinsurance portfolio is focused on treaties where high-quality exposure and experience data allow our underwriters to quantify the risk.

Syndicate 1200

The Syndicate 1200 division is focused on underwriting worldwide property, specialty and non-U.S. liability insurance through Argo Underwriting Agency, Ltd. on behalf of Lloyd's Syndicate 1200 within the Lloyd's of London global franchise.

Europe

The Europe division underwrites professional liability, surety, and property and casualty business in continental Europe and is a specialty underwriter of property, marine, accident & health and liability insurance with a focus on Italy and Southern Europe.

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 included in the significant lines of business for each operating division, as disclosed in the following tables, are noted below:

Excess and Surplus Lines

- *Liability:* primary and excess specialty casualty, contract liability, commercial multi-peril, product liability, environmental liability, and auto liability

Specialty Admitted

- *Liability:* workers compensation, general liability, auto liability, and various public entity liability risks
- *Professional:* management liability and errors and omissions liability
- *Specialty:* surety and inland marine

Argo Insurance Bermuda

- *Liability:* long-tail excess casualty and general liability

Reinsurance

- *Property:* property catastrophe reinsurance and excess property direct and facultative insurance

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

Europe

- *Professional:* directors and officer's liability, professional indemnity and cyber

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 6, "Run-off Lines," for further information on this segment, including discussion of prior accidents years' development.

Accident Years Presented

Based on the previous operating structure and management of our business prior to calendar year 2011, we did not track ultimate claims and claim adjustment expenses by accident year at a level of detail consistent with the current segmentation of our business, including our operating divisions, with the exception of the business in Syndicate 1200. As a result, it is impracticable to obtain the information necessary to provide historical ultimate claims and claim adjustment expense estimates prior to December 31, 2011 in the following incurred and paid claims development tables for all disaggregation categories except those associated with Syndicate 1200.

Syndicate 1200 ultimate claims and claim adjustment expenses are provided beginning with accident year 2010 due to the retroactive whole account quota share contract we entered into on December 31, 2012. As a result of this transaction, reserves for losses and LAE prior to accident year 2010 were legally transferred to another syndicate within the Lloyd's market. Under this quota share contract, we did not retain any direct indemnity or credit risk for the reserves prior to accident year 2010.

Prior to the acquisition of Ariel Re in February 2017, Ariel Re's ultimate claims and claim adjustment expense data was not historically available by accident years and line of business. As a result, it is not practical, nor would it be consistent to provide information for calendar years 2016 and prior by accident year at our line of business level. Beginning with the 2017 calendar year, we began accumulating such claims information by accident year and line of business, and have included such in the tabular disclosures below for the Reinsurance operating division, Property line of business disaggregation category. Accordingly, calendar years prior to 2017 for the aforementioned tabular disclosures relate only to our Reinsurance business prior to the acquisition of Ariel Re.

We formed ArgoGlobal SE in the fourth quarter of 2011. Beginning with the 2012 calendar year, we began accumulating such claims information by accident year and line of business, and have included such in the tabular disclosures below for the Europe operating division, Professional line of business disaggregation category.

Foreign Currency

Portions of the business we write in the Syndicate 1200, Argo Bermuda Insurance, Reinsurance and Europe divisions are denominated in foreign currencies. We have used the December 31, 2019 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.

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. 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, 2019.

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, 2019.

Reporting Segment: ***U.S. Operations***
Operating Division: ***Excess and Surplus Lines***
Line of Business: ***Liability***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31,								
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ 202.9	$ 206.0	$ 205.8	$ 200.0	$ 193.5	$ 192.8	$ 189.0	$ 187.8	$ 185.8
2012		189.6	196.0	189.7	183.6	184.4	182.1	182.3	181.0
2013			217.9	222.6	224.3	227.2	220.4	216.0	214.3
2014				213.0	215.2	213.2	211.9	212.3	210.0
2015					232.5	237.1	228.6	226.4	224.8
2016						246.4	250.6	243.1	248.3
2017							253.3	244.3	249.0
2018								278.8	269.5
2019									269.8
								Total	$ 2,052.5

Cumulative Paid Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31,								
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ 17.6	$ 53.8	$ 91.0	$ 122.9	$ 146.6	$ 162.4	$ 170.0	$ 174.4	$ 177.5
2012		17.2	52.8	89.1	120.8	142.4	157.5	163.4	170.3
2013			17.6	60.2	100.4	135.2	163.7	179.6	192.2
2014				15.0	52.2	95.9	131.6	154.5	172.8
2015					16.5	51.9	91.4	131.5	162.8
2016						17.4	52.8	95.5	149.5
2017							11.5	38.7	88.0
2018								15.0	47.0
2019									14.9
								Total	$ 1,175.0
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									35.5
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 913.0

Accident Year	As of December 31, 2019		
	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2011	$ 185.8	$ 3.9	8,490
2012	181.0	5.8	7,453
2013	214.3	11.4	7,397
2014	210.0	19.0	6,684
2015	224.8	32.5	6,306
2016	248.3	59.7	6,038
2017	249.0	92.5	6,251
2018	269.5	163.8	5,852
2019	269.8	207.5	4,199

(1) Information presented for calendar years prior to 2019 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: ***U.S. Operations***
Operating Division: ***Specialty Admitted***
Line of Business: ***Liability***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

	For the Years Ended December 31,								
Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2011	$ 140.3	$ 155.1	$ 159.0	$ 157.5	$ 158.2	$ 154.0	$ 153.7	$ 154.0	$ 151.6
2012		140.3	146.3	149.7	153.3	151.5	147.7	146.7	146.2
2013			126.6	133.2	136.7	133.2	131.1	130.6	128.9
2014				115.6	121.9	116.9	114.5	111.5	111.9
2015					107.3	106.7	101.7	102.3	103.1
2016						96.1	99.9	99.3	104.7
2017							121.5	129.5	135.3
2018								147.3	160.9
2019									151.3
								Total	$ 1,193.9

Cumulative Paid Losses & ALAE, Net of Reinsurance

	For the Years Ended December 31,								
Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2011	$ 23.2	$ 57.5	$ 85.9	$ 111.3	$ 126.1	$ 135.1	$ 139.8	$ 143.1	$ 144.0
2012		20.1	51.0	80.7	105.8	120.8	127.9	131.9	135.0
2013			18.9	49.4	74.0	93.6	102.8	109.7	114.7
2014				17.4	38.8	58.7	75.3	86.1	93.5
2015					17.2	35.0	48.8	64.2	73.6
2016						11.1	31.7	48.6	67.6
2017							16.3	44.4	70.9
2018								19.4	51.9
2019									17.5
								Total	$ 768.7
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									42.3
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 467.5

	As of December 31, 2019		
Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2011	$ 151.6	$ 4.4	28,181
2012	146.2	5.1	23,657
2013	128.9	7.0	18,975
2014	111.9	10.1	16,346
2015	103.1	14.2	14,622
2016	104.7	15.1	11,802
2017	135.3	37.2	13,473
2018	160.9	54.6	15,267
2019	151.3	89.4	12,867

[1] Information presented for calendar years prior to 2019 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: ***U.S. Operations***
Operating Division: ***Specialty Admitted***
Line of Business: ***Professional***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ —	$ 35.0	$ 35.0	$ 32.5	$ 28.2	$ 26.9	$ 26.6	$ 26.0	$ 25.8
2012		27.8	28.3	28.6	25.8	24.0	24.5	24.9	24.6
2013			20.9	21.5	21.1	19.0	19.8	19.5	18.3
2014				22.4	22.4	26.0	33.7	36.2	35.4
2015					29.9	29.5	33.2	34.0	37.1
2016						44.2	44.8	45.1	42.9
2017							60.1	61.8	78.3
2018								70.8	73.2
2019									94.4
								Total	$ 430.0

Cumulative Paid Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ —	$ 11.8	$ 17.8	$ 22.0	$ 24.0	$ 25.4	$ 25.7	$ 25.7	$ 25.7
2012		2.3	8.6	16.9	19.9	21.4	22.6	23.5	24.2
2013			1.9	6.3	10.9	14.2	17.6	17.5	17.9
2014				2.3	5.4	15.1	24.1	25.5	32.3
2015					1.8	8.3	15.6	20.8	26.2
2016						2.4	11.9	24.6	28.9
2017							3.5	24.9	38.0
2018								4.5	16.7
2019									4.9
								Total	$ 214.8
								Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance	1.7
								Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance	$ 216.9

Accident Year	As of December 31, 2019 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2011	$ 25.8	$ 0.1	820
2012	24.6	0.2	641
2013	18.3	0.3	622
2014	35.4	0.6	1,044
2015	37.1	1.4	1,840
2016	42.9	7.8	3,238
2017	78.3	7.0	3,724
2018	73.2	39.7	4,224
2019	94.4	75.3	4,432

(1) Information presented for calendar years prior to 2019 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: ***U.S. Operations***
Operating Division: ***Specialty Admitted***
Line of Business: ***Specialty***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2011	$ 0.2	$ 3.9	$ 3.4	$ 3.4	$ 3.6	$ 2.6	$ 2.0	$ 1.7	$ 1.7
2012		7.5	6.7	4.9	4.3	4.0	3.9	3.5	3.6
2013			10.0	8.6	4.6	2.5	1.7	0.9	0.9
2014				13.1	13.1	8.9	6.0	4.8	4.7
2015					14.8	14.3	9.5	5.5	1.2
2016						15.0	15.0	11.2	6.2
2017							16.2	16.2	7.6
2018								20.9	17.4
2019									22.8
								Total	$ 66.1

Cumulative Paid Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2011	$ —	$ 1.6	$ 1.4	$ 1.3	$ 1.2	$ 1.7	$ 1.7	$ 1.7	$ 1.7
2012		3.6	3.3	3.3	3.3	3.3	3.4	3.3	3.4
2013			0.4	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
2015					0.2	0.1	0.2	0.3	0.3
2016						1.3	1.6	2.2	2.2
2017							0.3	0.1	—
2018									0.7
2019									0.7
								Total	$ 14.0
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									0.6
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 52.7

Accident Year	As of December 31, 2019 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2011	$ 1.7	$ —	80
2012	3.6	0.2	129
2013	0.9	—	50
2014	4.7	0.6	50
2015	1.2	0.9	24
2016	6.2	1.0	57
2017	7.6	7.6	96
2018	17.4	15.3	114
2019	22.8	22.1	122

[1] Information presented for calendar years prior to 2019 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: *Reinsurance*
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,								
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ 126.1	$ 104.7	$ 106.7	$ 104.6	$ 103.9	$ 103.7	$ 131.7	$ 138.3	$ 140.5
2012		47.1	51.3	50.3	51.6	46.4	62.7	66.9	69.3
2013			31.9	33.3	32.8	31.1	32.7	32.1	31.6
2014				26.5	26.5	24.2	35.3	38.1	39.9
2015					27.1	23.4	159.5	155.1	150.2
2016						43.5	48.5	41.1	58.4
2017							157.7	158.0	165.1
2018								68.0	82.7
2019									61.2
								Total	$ 798.9

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31,								
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ 41.6	$ 67.0	$ 87.8	$ 95.3	$ 97.4	$ 98.6	$ 126.8	$ 133.6	$ 137.4
2012		12.4	31.1	40.5	49.6	44.0	58.7	64.6	68.1
2013			4.1	16.5	26.3	28.7	30.7	30.8	30.8
2014				2.8	12.6	18.3	36.4	37.0	39.5
2015					4.2	11.0	135.4	142.5	145.9
2016						13.5	27.1	31.1	51.6
2017							84.2	139.6	164.0
2018								24.6	71.5
2019									8.1
								Total	$ 716.9
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									3.7
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 85.7

Accident Year	As of December 31, 2019		
	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2011	$ 140.5	$ 0.3	460
2012	69.3	—	278
2013	31.6	0.2	222
2014	39.9	0.1	221
2015	150.2	1.3	220
2016	58.4	4.9	384
2017	165.1	(14.5)	813
2018	82.7	(11.6)	645
2019	61.2	43.0	133

(1) Information presented for calendar years prior to 2019 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: 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,								
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ 6.6	$ 6.6	$ 6.6	$ 4.4	$ 2.2	$ 1.6	$ 1.0	$ —	$ —
2012		7.4	7.4	7.4	5.6	4.4	1.7	—	0.6
2013			8.5	8.5	8.5	8.5	4.9	2.2	5.3
2014				9.8	9.8	9.8	6.2	1.5	2.3
2015					11.3	14.3	24.8	35.4	45.4
2016						13.9	14.0	14.0	6.6
2017							17.1	17.3	26.9
2018								8.9	32.0
2019									13.3
								Total	$ 132.4

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31,								
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2011	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2012		—	—	—	—	—	—	—	—
2013			—	—	—	—	2.3	2.3	2.3
2014				—	—	0.1	0.1	1.2	1.2
2015					—	—	16.1	20.3	26.6
2016						—	—	—	0.1
2017							—	3.3	3.4
2018								—	13.8
2019									—
								Total	$ 47.4
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									—
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 85.0

Accident Year	As of December 31, 2019		
	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2011	$ —	$ —	1,425
2012	0.6	0.6	1,385
2013	5.3	1.9	1,194
2014	2.3	0.3	1,338
2015	45.4	6.7	1,583
2016	6.6	6.5	1,907
2017	26.9	4.6	2,035
2018	32.0	13.7	982
2019	13.3	13.3	907

(1) Information presented for calendar years prior to 2019 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)

Incurred Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31,									
	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2010	$ 5.8	$ 4.9	$ 4.5	$ 6.2	$ 6.0	$ 5.9	$ 5.8	$ 5.9	$ 5.8	$ 6.2
2011		8.2	8.7	11.0	11.1	10.4	10.2	10.7	10.9	11.5
2012			8.6	10.7	14.9	14.2	13.8	14.5	15.0	15.6
2013				22.6	26.7	26.2	24.3	24.2	25.0	26.4
2014					36.9	35.9	33.3	32.2	33.5	35.6
2015						34.1	29.1	28.8	29.1	32.9
2016							25.2	26.2	25.8	28.3
2017								24.4	23.2	26.7
2018									21.4	19.9
2019										16.5
									Total	$ 219.6

Cumulative Paid Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31,									
	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2010	$ —	$ 0.2	$ 0.6	$ 1.1	$ 2.0	$ 2.8	$ 3.8	$ 4.1	$ 4.4	$ 5.1
2011		0.2	0.8	1.7	3.4	5.5	7.0	7.9	8.8	9.8
2012			0.4	1.2	2.5	5.7	8.2	10.0	11.8	12.8
2013				1.5	3.2	7.0	11.3	15.6	19.7	22.5
2014					1.9	4.5	9.8	13.6	20.1	24.6
2015						0.8	5.1	7.3	12.2	17.5
2016							1.8	5.7	10.5	15.1
2017								1.9	6.6	11.0
2018									2.3	6.6
2019										1.3
									Total	$ 126.3
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 93.3

Accident Year	As of December 31, 2019	
	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2010	$ 6.2	$ 0.1
2011	11.5	0.5
2012	15.6	0.6
2013	26.4	1.5
2014	35.6	3.7
2015	32.9	6.5
2016	28.3	7.1
2017	26.7	11.9
2018	19.9	12.0
2019	16.5	13.6

(1) Information presented for calendar years prior to 2019 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)

Incurred Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2010 [1]	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2010	$ 15.6	$ 12.8	$ 12.7	$ 11.2	$ 10.1	$ 9.4	$ 9.5	$ 9.5	$ 9.8	$ 10.0
2011		19.1	21.0	18.5	15.5	14.6	14.7	15.1	15.7	16.2
2012			13.5	13.5	13.7	13.6	13.7	14.6	15.1	16.0
2013				21.9	21.8	21.9	21.5	21.7	22.5	23.9
2014					33.8	35.0	35.1	38.1	40.0	41.9
2015						36.8	36.1	37.3	37.4	40.8
2016							31.8	26.0	25.5	30.9
2017								23.6	21.1	24.4
2018									20.1	17.0
2019										22.4
									Total	$ 243.5

Cumulative Paid Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2010 [1]	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2010	$ 0.1	$ 1.0	$ 2.0	$ 3.0	$ 3.8	$ 5.1	$ 6.5	$ 6.8	$ 7.7	$ 7.9
2011		1.0	2.5	4.2	6.6	8.3	10.6	11.4	12.8	13.5
2012			0.6	1.8	4.3	5.8	8.2	9.5	11.2	12.5
2013				1.7	3.7	7.1	11.6	15.4	17.7	20.1
2014					1.6	6.3	14.6	23.6	27.8	32.3
2015						2.2	8.3	14.8	19.6	24.9
2016							2.1	5.8	10.6	17.2
2017								1.2	5.0	9.6
2018									1.0	4.8
2019										2.5
									Total	$ 145.3
					Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance					$ 98.2

Accident Year	As of December 31, 2019 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2010	$ 10.0	$ 0.2
2011	16.2	0.7
2012	16.0	0.8
2013	23.9	2.1
2014	41.9	4.9
2015	40.8	8.6
2016	30.9	8.0
2017	24.4	11.3
2018	17.0	10.6
2019	22.4	18.6

[1] Information presented for calendar years prior to 2019 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,									
	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2010	$ 50.7	$ 58.2	$ 54.8	$ 54.3	$ 51.6	$ 51.3	$ 50.8	$ 51.5	$ 51.2	$ 51.1
2011		108.5	113.8	108.0	95.2	93.3	92.7	92.8	92.2	91.9
2012			88.9	88.7	93.0	92.1	91.0	90.9	90.1	89.6
2013				83.4	79.3	78.3	76.9	76.7	75.7	74.6
2014					69.8	64.2	65.7	66.3	65.6	63.6
2015						55.9	66.3	73.6	74.2	72.9
2016							70.6	86.4	91.6	90.7
2017								84.9	91.4	96.1
2018									62.2	61.9
2019										42.8
									Total	$ 735.2

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance — For the Years Ended December 31,									
	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2010	$ 1.8	$ 19.6	$ 28.1	$ 33.9	$ 35.9	$ 40.1	$ 41.6	$ 42.7	$ 43.4	$ 43.4
2011		23.5	47.3	62.0	73.8	79.6	81.3	82.9	82.6	82.0
2012			29.6	47.8	63.0	74.1	76.4	77.6	77.8	77.7
2013				44.5	56.8	69.3	73.5	74.3	73.5	72.5
2014					29.5	51.5	57.6	60.1	60.0	58.0
2015						22.9	42.8	52.7	59.1	58.6
2016							38.9	63.9	78.6	80.0
2017								29.3	62.4	71.5
2018									30.2	53.1
2019										20.5
									Total	$ 617.3
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 117.9

Accident Year	As of December 31, 2019	
	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2010	$ 51.1	$ —
2011	91.9	—
2012	89.6	—
2013	74.6	—
2014	63.6	—
2015	72.9	—
2016	90.7	—
2017	96.1	3.0
2018	61.9	6.2
2019	42.8	21.4

(1) Information presented for calendar years prior to 2019 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, 2010 [1]	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2010	$ 12.9	$ 15.8	$ 13.6	$ 13.1	$ 12.1	$ 12.1	$ 12.1	$ 12.1	$ 12.0	$ 12.0
2011		38.5	40.2	38.9	34.2	33.3	33.4	33.2	32.9	32.8
2012			52.6	56.4	60.8	59.3	59.1	58.9	58.3	58.0
2013				75.8	81.3	82.7	82.3	82.0	81.7	80.7
2014					92.1	98.6	99.9	101.4	100.8	99.1
2015						89.7	87.8	93.8	95.3	95.0
2016							85.5	83.9	87.2	89.5
2017								79.6	76.0	85.9
2018									64.7	69.8
2019										77.5
									Total	$ 700.3

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance — For the Years Ended December 31, 2010 [1]	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019
2010	$ 1.9	$ 8.6	$ 8.9	$ 9.3	$ 9.0	$ 9.7	$ 10.0	$ 10.1	$ 10.2	$ 10.3
2011		11.5	19.6	23.7	27.2	28.6	29.2	29.6	29.5	29.3
2012			17.9	27.5	39.0	45.8	48.8	49.9	50.2	50.2
2013				31.0	52.5	68.9	76.3	78.3	78.6	78.3
2014					37.8	71.5	82.7	89.0	90.4	89.4
2015						31.0	54.0	66.0	73.9	75.5
2016							37.2	58.6	68.3	75.2
2017								19.8	42.2	57.1
2018									18.7	49.3
2019										29.6
									Total	$ 544.2
									Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance	$ 156.1

Accident Year	As of December 31, 2019 — Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2010	$ 12.0	$ —
2011	32.8	—
2012	58.0	—
2013	80.7	—
2014	99.1	—
2015	95.0	—
2016	89.5	2.2
2017	85.9	7.1
2018	69.8	17.5
2019	77.5	44.7

[1] Information presented for calendar years prior to 2019 is required supplementary information and is unaudited

Reporting Segment: ***International Operations***
Operating Division: ***Europe***
Line of Business: ***Professional***
(in millions, except number of claims reported)

Accident Year	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2012	$ 0.1	$ 0.1	$ —	$ 0.1	$ 0.1	$ 0.1	$ 0.2	$ 0.1
2013		0.8	0.7	0.5	0.4	0.5	0.6	0.4
2014			0.7	0.6	0.5	0.7	0.7	6.7
2015				2.6	2.1	2.9	18.4	21.1
2016					0.9	1.1	1.1	0.8
2017						5.6	6.1	13.5
2018							45.5	56.6
2019								71.7
							Total	$ 170.9

Accident Year	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ 0.1	$ —
2013		—	—	0.5	0.4	0.5	0.5	0.2
2014			—	—	—	0.1	0.1	0.1
2015				—	—	—	0.1	2.3
2016					—	—	0.3	0.1
2017						1.0	2.0	6.8
2018							9.8	17.2
2019								1.2
							Total	$ 27.9
							Outstanding liabilities for unpaid losses and ALAE prior to 2012, net of reinsurance	—
							Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance	$ 143.0

Accident Year	Incurred Losses & ALAE, Net of Reinsurance (As of December 31, 2019)	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2012	$ 0.1	$ 0.1	3
2013	0.4	0.2	22
2014	6.7	6.6	19
2015	21.1	18.8	36
2016	0.8	0.7	63
2017	13.5	(10.4)	91
2018	56.6	7.6	143
2019	71.7	69.3	101

(1) Information presented for calendar years prior to 2019 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.

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, 2019
Liabilities for unpaid losses and ALAE:	
US Operations:	
Excess and Surplus Lines - Liability	$ 913.0
Commercial Specialty - Liability	467.5
Commercial Specialty - Professional	216.9
Commercial Specialty - Specialty	52.7
International Operations:	
Reinsurance - Property	85.7
Argo Insurance Bermuda- Liability	85.0
Syndicate 1200 - Liability	93.3
Syndicate 1200 - Professional	98.2
Syndicate 1200 - Property	117.9
Syndicate 1200 - Specialty	156.1
Europe - Professional	143.0
Run-off Lines	173.3
Other lines	75.7
Total liabilities for unpaid losses and ALAE, net of reinsurance	2,678.3
Reinsurance recoverables on unpaid losses and LAE:	
US Operations:	
Excess and Surplus Lines - Liability	385.5
Commercial Specialty - Liability	332.2
Commercial Specialty - Professional	175.1
Commercial Specialty - Specialty	29.0
International Operations:	
Reinsurance - Property	418.2
Argo Insurance Bermuda- Liability	175.4
Syndicate 1200 - Liability	58.3
Syndicate 1200 - Professional	79.9
Syndicate 1200 - Property	117.0
Syndicate 1200 - Specialty	112.0
Europe - Professional	7.8
Run-off Lines	85.1
Other lines	459.4
Total reinsurance recoverables on unpaid losses and LAE	2,434.9
Unallocated loss adjustment expenses	62.3
Unamortized reserve discount	(17.9)
Gross liability for unpaid losses and LAE	$ 5,157.6

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, 2019:

	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**
U.S. Operations:									
Excess and Surplus Lines - Liability	7.6%	16.8%	20.5%	18.6%	12.6%	8.3%	5.3%	3.4%	2.2%
Specialty Admitted - Liability	14.1%	21.3%	18.4%	16.4%	9.3%	6.3%	4.2%	2.8%	1.9%
Specialty Admitted- Professional	7.7%	25.2%	26.3%	16.9%	10.3%	5.8%	3.2%	1.8%	1.1%
Specialty Admitted - Specialty	35.8%	32.5%	17.6%	7.3%	3.5%	1.7%	0.8%	0.4%	0.2%
International Operations:									
Reinsurance - Property	22.5%	22.7%	29.4%	14.2%	4.4%	2.3%	1.3%	0.8%	0.6%
Argo Insurance Bermuda - Liability	3.7%	16.8%	17.4%	15.7%	14.1%	7.7%	7.0%	2.0%	5.5%
Europe Professional	4.6%	10.7%	14.5%	15.5%	11.8%	9.8%	8.7%	N/A	N/A
Syndicate 1200 - Liability	3.7%	7.8%	9.5%	12.3%	14.7%	11.7%	10.6%	8.4%	6.4%
Syndicate 1200 - Professional	4.6%	10.7%	14.5%	15.5%	11.8%	9.8%	8.7%	6.7%	5.0%
Syndicate 1200 - Property	41.5%	29.6%	15.7%	8.4%	2.4%	1.2%	0.6%	0.3%	0.2%
Syndicate 1200 - Specialty	37.2%	30.9%	16.6%	9.4%	3.4%	1.4%	0.6%	0.2%	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)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
U.S. Operations:						
Specialty Admitted - Liability	$ 153.1	$ 140.8	$ 126.7	$ 13.0	$ 11.9	$ 10.6
Run-off Lines	148.9	163.1	175.5	4.9	5.0	7.0
Total	$ 302.0	$ 303.9	$ 302.2	$ 17.9	$ 16.9	$ 17.6

	Interest Accretion [1]			Discount Rate		
	For the Years Ended December 31,			As of December 31,		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
U.S. Operations:						
Specialty Admitted - Liability	$ 1.3	$ 1.3	$ 1.9	2.25%	2.25%	2.25%
Run-off Lines	0.2	2.1	2.1	3.50%	3.50%	3.50%
Total	$ 1.5	$ 3.4	$ 4.0			

[1] Interest accretion is recorded in the line item “Losses and loss adjustment expenses” in our Consolidated Statements of (Loss) Income.

6. 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:

	December 31,	
(in millions)	2019	2018
Asbestos and Environmental:		
Reinsurance assumed	$ 26.7	$ 27.7
Other	25.9	27.1
Total Asbestos and Environmental	52.6	54.8
Risk-management	188.1	197.0
Run-off reinsurance lines	0.5	1.6
Other run-off lines	12.3	12.2
Gross reserves - Run-off Lines	$ 253.5	$ 265.6

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. The following table represents the total gross reserves for our asbestos exposure:

	December 31,		
(in millions)	2019	2018	2017
Direct written			
Case reserves	$ 2.7	$ 2.7	$ 2.1
Unallocated loss adjustment expense ("ULAE")	0.5	0.5	0.5
Incurred but not reported ("IBNR")	16.1	19.1	18.8
Total direct written reserves	19.3	22.3	21.4
Assumed domestic			
Case reserves	9.1	8.7	9.8
ULAE	0.8	0.8	0.8
IBNR	11.2	12.0	13.7
Total assumed domestic reserves	21.1	21.5	24.3
Assumed London			
Case reserves	1.3	1.5	2.3
ULAE	—	—	—
IBNR	1.1	1.5	0.6
Total assumed London reserves	2.4	3.0	2.9
Total asbestos reserves	$ 42.8	$ 46.8	$ 48.6

The following table presents our underwriting losses for Run-off Lines:

(in millions)	For the Years Ended December 31, 2019	2018	2017
Asbestos and Environmental:			
Reinsurance assumed	$ (4.4)	$ (3.9)	$ (8.7)
Other	(3.8)	(4.1)	(6.7)
Total Asbestos and Environmental	(8.3)	(8.0)	(15.4)
Risk-management	(4.9)	(2.6)	(8.8)
Run-off reinsurance lines	0.7	—	(0.1)
Other run-off lines	(1.7)	(5.3)	(1.4)
Total underwriting loss - Run-off Lines	$ (14.2)	$ (15.9)	$ (25.7)

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 5, “Reserves for Losses and Loss Adjustment Expenses” for further discussion.

7. 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, 2019 and 2018, 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, 2019

(in millions)

Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rate at December 31, 2019	Amount
Argo Group					
5/15/2003	PXRE Capital Statutory Trust II	5/15/2033	3M LIBOR + 4.10%	6.01%	$ 18.1
11/6/2003	PXRE Capital Trust VI	9/30/2033	3M LIBOR + 3.90%	5.84%	10.3
Argo Group US					
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	6.01%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	6.09%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	5.76%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	5.76%	12.3
5/12/2004	Argonaut Group Statutory Trust VI	5/12/2034	3M LIBOR + 3.80%	5.70%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	5.49%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	5.48%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	5.49%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	5.29%	30.9
	Total Outstanding				$ 172.7

December 31, 2018

(in millions)

Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rate at December 31, 2018	Amount
Argo Group					
5/15/2003	PXRE Capital Statutory Trust II	5/15/2033	3M LIBOR + 4.10%	6.72%	$ 18.1
11/6/2003	PXRE Capital Trust VI	9/30/2033	3M LIBOR + 3.90%	6.70%	10.3
Argo Group US					
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	6.72%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	6.54%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	6.47%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	6.54%	12.3
5/12/2004	Argonaut Group Statutory Trust VI	5/12/2034	3M LIBOR + 3.80%	6.59%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	6.39%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	6.37%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	6.39%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	6.19%	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"). As part of the ongoing liquidation of the Maybrooke holding company, which began subsequent to our acquisition in 2018, the acquired debt was ultimately assigned to Argo Re and is carried on our consolidated balance sheet at $84.7 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, 2019, 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:

December 31, 2019

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2019	Principal at December 31, 2019	Carrying Value at December 31, 2019
9/15/2007	9/15/2037	3 month LIBOR + 3.15%	5.04%	$ 91.8	$ 84.7

December 31, 2018

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2018	Principal at December 31, 2018	Carrying Value at December 31, 2018
9/15/2007	9/15/2037	3 month LIBOR + 3.15%	5.94%	$ 91.8	$ 84.3

8. 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)

	December 31,	
Debt Type	2019	2018
Floating rate loan stock	$ 56.3	$ 57.8
Term loan	125.0	125.0
Other debt	—	0.6
Total other indebtedness	$ 181.3	$ 183.4

Floating Rate Loan Stock

This unsecured debt was assumed through the acquisition of Argo Underwriting Agency, Ltd. At December 31, 2019 and 2018, 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, 2019 and 2018 is presented below:

December 31, 2019

(in millions)

Currency	Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2019	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	6.41%	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	6.21%	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month LIBOR + 4.0%	3.58%	13.3
Euro	10/31/2006	11/22/2036	3 month LIBOR + 4.0%	3.58%	11.6
Euro	6/8/2007	9/15/2037	3 month LIBOR + 3.9%	3.47%	14.9
Total Euro notes					39.8
Total notes outstanding					$ 56.3

December 31, 2018

(in millions)

Currency	Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2018	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	6.72%	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	6.52%	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month LIBOR + 4.0%	3.68%	13.8
Euro	10/31/2006	11/22/2036	3 month LIBOR + 4.0%	3.68%	12.0
Euro	6/8/2007	9/15/2037	3 month LIBOR + 3.9%	3.59%	15.5
Total Euro notes					41.3
Total notes outstanding					$ 57.8

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 $39.8 million and $41.3 million as of December 31, 2019 and 2018, respectively. The foreign currency translation adjustment is recorded in our consolidated statements of income (loss).

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 replaced the prior $325 million Credit Agreement (the “Prior Agreement”), dated as of March 3, 2017. In connection with the consummation of the Credit Agreement, Argo Group borrowed $125 million as a term loan due on November 2, 2021, which amount was used on November 2, 2018 to pay off in its entirety the $125 million of borrowings previously outstanding under the Prior Agreement. In addition, the Credit Agreement provides for a $200 million revolving credit facility, and the commitments thereunder shall expire on November 2, 2023 unless extended in accordance with the terms of the Credit Agreement. Interest accrues based on a variable rate, which resets and is payable based on reset options selected by Argo Group pursuant to the terms of the Credit Agreement.

A summary of the terms of the outstanding balance at December 31, 2019 and December 31, 2018 is presented below:

December 31, 2019

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2019		Amount
11/2/2018	11/2/2021	3 month LIBOR + 1.25%	3.18%	$	125.0

December 31, 2018

(in millions)

Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2018		Amount
11/2/2018	11/2/2021	3 month LIBOR + 1.25%	3.86%	$	125.0

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 immediately 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.

Included in the Credit Agreement is a provision that allows up to $200.0 million of the revolving credit facility to be used for LOCs, subject to availability. At December 31, 2019 and 2018, there were no borrowings outstanding and $70.5 million and $0.5 million of LOCs, respectively, issued against the Credit Facility.

Other Debt

Argo Re has entered into two secured, bilateral committed letter of credit facilities with commercial banks to issue LOCs in support of its non-admitted reinsurance obligations. These facilities have a term of one year and include customary conditions and event of default provisions. 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. Argo Re has also used LOCs issued from commercial banks on a secured, uncommitted basis in order to satisfy these requirements.

Effective December 31, 2019, reinsurance LOCs totaling $139.9 million were outstanding, of which $121.1 million were issued against the secured bilateral LOC facilities and $18.8 million were issued by a commercial bank on an uncommitted basis. Collateral with a market value of $169.9 million was pledged to these banks as security against these LOCs. See Note 2, “Investments,” for additional information.

Argo Group has entered into 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 a term of one year, is unsecured, and includes customary conditions and event of default provisions. At December 31, 2019 and December 31, 2018, an LOC in the amount of £23.3 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. See Note 2, “Investments,” for additional information.

As part of the ARIS Title Insurance Corporation (“ARIS”) acquisition, we assumed a note payable with a variable interest rate of 2.00% above 30-day LIBOR, with quarterly resets and subject to certain interest rate ceilings. The note payable matured on April 1, 2019 and was paid in full.

9. Disclosures about Fair Value of Financial Instruments

Cash. The carrying amount approximates fair value.

Investment securities and short-term investments. See Note 2, “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, 2019 and 2018, the fair value of our debt instruments is determined using both Level 1 and Level 2 inputs, as previously defined in Note 2, "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, 2019 and December 31, 2018. 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,			
	2019		2018	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Junior subordinated debentures:				
Trust preferred debentures	$ 172.7	$ 174.0	$ 172.7	$ 163.2
Subordinated debentures	84.7	92.5	84.3	85.0
Total junior subordinated debentures	257.4	266.5	257.0	248.2
Senior unsecured fixed rate notes	140.0	144.2	139.8	139.5
Floating rate loan stock	56.3	56.8	57.8	54.5

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, 2019	Level 1 (a)	Level 2 (b)	Level 3 (c)
Junior subordinated debentures:				
Trust preferred debentures	$ 174.0	$ —	$ 174.0	$ —
Subordinated debentures	92.5	—	92.5	—
Total junior subordinated debentures	266.5	—	266.5	—
Senior unsecured fixed rate notes	144.2	144.2	—	—
Floating rate loan stock	56.8	—	56.8	—
	467.5	144.2	323.3	—

(a) Quoted prices in active markets for identical assets

(b) Significant other observable inputs

(c) Significant unobservable inputs

(in millions)	December 31, 2018	Fair Value Measurements at Reporting Date Using Level 1 (a)	Level 2 (b)	Level 3 (c)
Junior subordinated debentures:				
Trust preferred debentures	$ 163.2	$ —	$ 163.2	$ —
Subordinated debentures	85.0	—	85.0	—
Total junior subordinated debentures	248.2	—	248.2	—
Senior unsecured fixed rate notes	139.5	139.5	—	—
Floating rate loan stock	54.5	—	54.5	—
	442.2	139.5	302.7	—

(a) Quoted prices in active markets for identical assets

(b) Significant other observable inputs

(c) Significant unobservable inputs

10. Shareholders' Equity

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

During 2019, 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, 2019, we paid cash dividends totaling $43.1 million to our shareholders.

During 2018, our Board declared quarterly cash dividends totaling $1.08 on each share of common stock outstanding. For the year ended December 31, 2018, we paid cash dividends totaling $37.5 million to our shareholders.

During 2017, our Board declared quarterly cash dividends totaling $0.94 on each share of common stock outstanding. For the year ended December 31, 2017, we paid cash dividends totaling $33.2 million to our shareholders.

We are authorized to issue 30 million shares of $1.00 par value preferred shares. As of December 31, 2019 and 2018, no preferred shares were issued and outstanding.

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

For the year ended December 31, 2019, we did not repurchase any common shares. For the year ended December 31, 2018, we repurchased 530,882 common shares for $31.7 million.

11. Accumulated Other Comprehensive Income (Loss)

A summary of changes in accumulated other comprehensive income (loss), net of taxes (where applicable) by component is presented below:

(in millions)	Foreign Currency Translation Adjustments	Unrealized Holding Gains on Securities	Defined Benefit Pension Plans	Total
Balance, January 1, 2018	$ (19.0)	$ 121.9	$ (6.3)	$ 96.6
Other comprehensive (loss) income before reclassifications	(3.4)	(80.4)	1.0	(82.8)
Amounts reclassified from accumulated other comprehensive income	—	4.9	—	4.9
Net current-period other comprehensive (loss) income	(3.4)	(75.5)	1.0	(77.9)
Cumulative effect of adoption of ASU 2016-01	—	(117.5)	—	(117.5)
Cumulative effect of adoption of ASU 2018-02	—	22.1	(1.4)	20.7
Balance, December 31, 2018	(22.4)	(49.0)	(6.7)	(78.1)
Other comprehensive (loss) income before reclassifications	(0.2)	73.8	(1.4)	72.2
Amounts reclassified from accumulated other comprehensive income	—	8.7	—	8.7
Net current-period other comprehensive (loss) income	(0.2)	82.5	(1.4)	80.9
Balance, December 31, 2019	$ (22.6)	$ 33.5	$ (8.1)	$ 2.8

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

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Unrealized gains and losses on securities:			
Net realized investment loss (gains)	$ 9.9	$ 5.4	$ (41.6)
(Benefit) provision for income taxes	(1.2)	(0.5)	13.4
Net of taxes	$ 8.7	$ 4.9	$ (28.2)

12. Net (Loss) Income Per Common Share

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

	For the Years Ended December 31,		
(in millions, except number of shares and per share amounts)	2019	2018	2017
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3
Weighted average common shares outstanding - basic	34,205,954	33,922,009	34,457,098
Effect of dilutive securities:			
Equity compensation awards	—	756,772	914,546
Weighted average common shares outstanding - diluted	34,205,954	34,678,781	35,371,644
Net (loss) income per common share:			
Basic	$ (0.25)	$ 1.87	$ 1.46
Diluted	$ (0.25)	$ 1.83	$ 1.42

Excluded from the weighted average common shares outstanding calculation at December 31, 2019, 2018 and 2017 are 11,315,889 shares, 11,315,889 shares and 10,785,007 shares, respectively, which are held as treasury shares. The shares are excluded as of their repurchase date. For the year ended December 31, 2019, 587,462 shares were not included in the calculation of diluted net income per common share as these instruments were anti-dilutive. In 2018 and 2017, there were no anti-dilutive shares of common stock to be excluded from the computation of diluted net income per common share.

13. Share-based Compensation

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

The following table summarizes the assumptions we used:

	For the Years Ended December 31,		
	2019	2018	2017
Risk-free rate of return	1.66% to 2.23%	2.61% to 2.96%	1.83% to 2.22%
Expected dividend yields	1.76% to 1.83%	1.71% to 1.87%	1.63% to 1.72%
Expected award life (years)	4.49 to 4.50	4.48 to 4.49	4.48 to 4.49
Expected volatility	18.18% to 19.15%	17.82% to 18.44%	18.13% to 18.70%

In 2018, all outstanding awards were adjusted to reflect the 15% stock dividend, resulting in a 15% increase to the number of awards outstanding and an 13.04% reduction in exercise price.

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 $16.9 million ($15.5 million, net of tax), $18.3 million ($16.5 million, net of tax) and $12.3 million ($10.3 million, net of tax) for the years ended December 31, 2019, 2018 and 2017, 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.

A summary of restricted share activity as of December 31, 2019 and changes during the year then ended is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2019	897,005	$ 46.82
Granted	219,202	$ 68.50
Vested and issued	(486,239)	$ 40.32
Expired or forfeited	(158,697)	$ 57.96
Outstanding at December 31, 2019	471,271	$ 60.09

As of December 31, 2019, there was $18.1 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 2.0 years. The total fair value of shares vested during the year ended December 31, 2019 was $19.5 million.

A summary of stock-settled SARs activity as of December 31, 2019 and changes during the year then ended is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2019	810,759	$ 33.89
Exercised	(178,224)	$ 34.74
Expired or forfeited	(7,167)	$ 37.85
Outstanding at December 31, 2019	625,368	$ 33.60

As of December 31, 2019, all stock-settled SARS are fully vested. Upon exercise of the stock-settled SARs, the employee is entitled to receive shares of our common stock equal to the appreciation of the stock as compared to the exercise price. For the year ended December 31, 2019, 178,224 stock-settled SARs were exercised resulting in 69,498 shares being issued. Aggregate intrinsic value of the stock-settled SARs at December 31, 2019 was $20.1 million. The remaining weighted average contractual term at December 31, 2019 was 1.43 years.

A summary of cash-settled SARs activity as of December 31, 2019 and changes during the year then ended is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2019	58,428	$ 30.71
Exercised	(52,298)	$ 30.39
Expired or forfeited	(1,193)	$ 19.37
Outstanding at December 31, 2019	4,937	$ 36.80

As of December 31, 2019, all the cash-settled SARs are fully vested. Upon exercise of the cash-settled SARs, the employee is entitled to receive cash payment for the appreciation in the value of our common stock over the exercise price. We account for the cash-settled SARs as liability awards, which require the awards to be revalued at each reporting period. For the year ended December 31, 2019, 52,298 cash-settled SARs were exercised resulting in $2.2 million in cash payments. Aggregate intrinsic value of the cash-settled SARs at December 31, 2019 was $0.1 million. The liability for cash-settled SARs was $0.1 million and $2.1 million at December 31, 2019 and 2018, respectively.

Included in the total shares outstanding at December 31, 2019 are 179,580 restricted shares whose vesting is contingent on the employee meeting defined performance conditions. Employees have a specified time period in which to meet the performance condition (typically one year) and forfeit the grant (on a pro rata basis) if the performance conditions are not met in the specified time frame. We evaluate the likelihood of the employee completing the performance condition and include this estimate in the determination of the forfeiture factor for the grants.

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 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, 2019, 2018 and 2017 was $0.5 million, $0.4 million and $0.4 million, respectively.

14. Underwriting, Acquisition and Insurance Expenses & Other Corporate Expenses

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were as follows:

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Commissions	$ 241.3	$ 280.4	$ 255.9
General expenses	379.1	351.7	359.1
Premium taxes, boards and bureaus	33.0	32.5	32.3
	653.4	664.6	647.3
Net deferral of policy acquisition costs	12.4	(9.9)	(11.9)
Total underwriting, acquisition and insurance expenses	$ 665.8	$ 654.7	$ 635.4

Other Corporate Expenses

During the year ended December 31, 2019, we incurred substantial non-recurring costs associated with a number of activities that began with first quarter proxy solicitation efforts and shareholder engagement. The costs associated with these and other activities, which included responding to a subpoena from the U.S. Securities and Exchange Commission ("the SEC"), a separation agreement with our former CEO, and exiting certain contractual obligations related to sponsorships, aviation and other corporate assets are recorded in the line item "Other corporate expenses" in the Company's Consolidated Statements of (Loss) Income. For the year ended December 31, 2019, other corporate expenses were $37.6 million. There were no comparable costs incurred during the year ended December 31, 2018.

Please see Note 1, "Business and Significant Accounting Policies - Property & Equipment" and Note 3, "Leases" for further discussion related to the disposals of long-lived assets.

15. Income Taxes

We are incorporated under the laws of Bermuda and, under current Bermuda law, are not obligated to pay any taxes in Bermuda based upon income or capital gains. We have received an undertaking from the Supervisor of Insurance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 2011, which exempts us from any Bermuda taxes computed on profits, income or any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, at least until the year 2035.

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

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

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

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

On December 22, 2017, the TCJA was signed into law making significant changes to the Internal Revenue Code. The Company provided its best estimate of the impact of the TCJA at December 31, 2017 and during 2018 completed its analysis as provided by SAB 118.

The following table presents the components of income tax provision (benefit) included in the amounts reported in our consolidated financial statements:

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Current income tax provision (benefit) related to:			
United States	$ 36.5	$ 13.4	$ (0.3)
United Kingdom	(1.5)	3.2	7.6
Other jurisdictions	0.1	0.1	0.2
Total current income tax provision	35.1	16.7	7.5
Deferred income tax provision (benefit) related to:			
United States	(19.3)	(13.8)	(0.3)
United Kingdom	(7.2)	1.1	(17.6)
Other jurisdictions	—	0.1	—
Total deferred income tax (benefit)	(26.5)	(12.6)	(17.9)
Income tax provision (benefit)	$ 8.6	$ 4.1	$ (10.4)

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, 2019, 2018 and 2017, pre-tax income (loss) attributable to our operations and the operations' effective tax rates were as follows:

(in millions)	2019		2018		2017	
	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (34.8)	— %	$ 26.0	— %	$ 30.2	— %
United States	85.2	19.7 %	13.9	(5.5)%	67.5	(0.9)%
United Kingdom	(46.1)	17.9 %	25.0	18.8 %	(53.8)	18.7 %
Belgium	— [1]	15.8 %	— [1]	— % [2]	0.1	75.0 %
Brazil	5.2	— %	(0.5)	— %	0.8	— %
United Arab Emirates	0.4	— %	0.8	— %	0.2	— %
Ireland	(0.1)	— %	(0.2)	— %	(0.2)	— %
Italy	(7.4)	— %	0.9	— %	—	— %
Malta	(2.0)	— %	1.7	— %	0.3	— %
Luxembourg	—	— %	— [1]	— %	(5.2)	— %
Switzerland	(0.2)	(0.2)%	0.1	18.4 %	— [1]	21.1 %
Pre-tax income	$ 0.2	— % [2]	$ 67.7	6.1 %	$ 39.9	(26.1)%

[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:

	For the Years Ended December 31,		
(in millions)	2019	2018	2017
Income tax provision (benefit) at expected rate	$ 9.0	$ 8.2	$ 12.7
Tax effect of:			
Nontaxable investment income	(1.2)	(1.9)	(4.7)
Foreign exchange adjustments	(0.1)	(0.6)	2.1
Impairment of goodwill	2.9	—	—
Withholding taxes	0.2	0.4	0.4
Change in valuation allowance	(1.1)	(1.5)	(0.9)
Impact of change in tax rate related to TCJA	—	(1.6)	(20.2)
Other	(1.1)	1.1	0.2
Income tax provision (benefit)	$ 8.6	$ 4.1	$ (10.4)

The net deferred tax asset (liability) comprises the tax effects of temporary differences related to the following assets and liabilities:

	December 31,	
(in millions)	2019	2018
Deferred tax assets:		
Losses and loss adjustment expense reserve discounting	$ 22.8	$ 19.3
Unearned premiums	25.3	23.2
Net operating loss carryforwards	30.6	31.6
Investment in limited partnership interests	7.1	12.0
Unrealized losses on fixed maturities and other investment securities	—	9.0
Investment	2.4	1.3
Right of use assets	14.5	—
Accrued bonus	2.2	4.5
Stock option expense	1.1	1.7
United Kingdom underwriting results	5.9	—
Other	5.7	6.3
Deferred tax assets, gross	117.6	108.9
Deferred tax liabilities:		
Unrealized gains on equity securities	(3.0)	(13.1)
Unrealized gains on fixed maturities and other investment securities	(5.3)	—
Unrealized gains on limited partnership interests	(15.6)	(17.3)
Depreciable fixed assets	(22.4)	(27.0)
Deferred acquisition costs	(18.6)	(18.1)
Lease liability	(14.0)	—
TCJA reserve transitional liability	(3.2)	(4.5)
United Kingdom underwriting results	—	(0.6)
Other	(0.6)	(4.6)
Deferred tax liabilities, gross	(82.7)	(85.2)
Deferred tax assets, net before valuation allowance	$ 34.9	$ 23.7
Valuation allowance	(28.8)	(29.9)
Deferred tax asset (liabilities), net	$ 6.1	$ (6.2)
Net deferred tax assets (liabilities) - Other jurisdictions	$ 6.1	$ (0.6)
Net deferred tax liabilities - United States	— [(1)]	(5.6)
Deferred tax asset (liabilities), net	$ 6.1	$ (6.2)

[(1)]Net deferred tax liability for the respective year was less than $0.1 million.

Our gross deferred tax assets are supported by taxes paid in previous periods, reversal of taxable temporary differences and recognition of future taxable income. Management regularly evaluates the recoverability of the deferred tax assets and makes any necessary adjustments to them based upon any changes in management's expectations of future taxable income. Realization of deferred tax assets is dependent upon our generation of future taxable income sufficient to recover tax benefits that cannot be recovered from taxes paid in the carryback period, generally for our U.S. property and casualty insurers two years for net operating losses and for all our U.S. subsidiaries three years for capital losses. If a company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. The net change in valuation allowance for deferred tax assets was a decrease of $1.1 million in 2019, relating to the following: Internal Revenue Code Section 382 limited net operating loss carryforwards within the United States, cumulative losses incurred since inception, and valuation allowances acquired through or related to acquisitions. Based upon a review of our available evidence, both positive and negative discussed above, our management concluded that it is more-likely-than-not that the other deferred tax assets will be realized.

For tax return purposes, as of December 31, 2019, we had NOL carryforwards in Brazil, Italy, Malta, 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 liabilities. The NOL amounts by jurisdiction and year of expiration are as follows:

(in millions)	December 31, 2019	Expiration
Net operating loss carryforwards by jurisdiction:		
Brazil	$ 4.3	Indefinite
Italy	45.9	Indefinite
Malta	8.2	Indefinite
United States	46.1	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. We had no material unrecognized tax benefits as of December 31, 2019, 2018 and 2017. Our United States subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014. Our United Kingdom subsidiaries are no longer subject to United Kingdom income tax examinations by Her Majesty's Revenue and Customs for years before 2016.

16. 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, 2019 and 2018, the qualified pension plan was underfunded by $3.7 million and $3.5 million, respectively. The non-qualified pension plans were unfunded by $2.0 million at December 31, 2019 and 2018, respectively. Underfunded and unfunded amounts are included in "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, 2020. Net periodic benefit costs were $0.3 million for the year ended December 31, 2019. Net periodic benefit cost were minimal for the year ended December 31, 2018 and $0.2 million for the year ended December 31, 2017.

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 $8.9 million, $7.9 million and $7.0 million in 2019, 2018 and 2017, respectively.

17. Commitments and Contingencies

Argo Group's subsidiaries are parties to legal actions incidental to their business. 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 $110.0 million related to our limited partnership investments at December 31, 2019. These commitments will be funded as required by the partnership agreements which can be called to be fulfilled at any time, not to exceed twelve years.

18. 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, 2019	2018	2017
Revenue:			
Earned premiums			
U.S. Operations	$ 1,119.7	$ 1,078.9	$ 936.6
International Operations	609.6	652.5	635.8
Run-off Lines	0.2	0.3	(0.1)
Total earned premiums	1,729.5	1,731.7	1,572.3
Net investment income			
U.S. Operations	100.0	82.9	87.2
International Operations	44.2	32.9	32.7
Run-off Lines	5.7	8.1	9.3
Corporate and Other	1.2	9.2	10.8
Total net investment income	151.1	133.1	140.0
Fee and other income	9.1	9.0	22.5
Net realized investment gains (losses)	80.0	(72.0)	39.3
Total revenue	$ 1,969.7	$ 1,801.8	$ 1,774.1

(in millions)	For the Years Ended December 31, 2019	2018	2017
(Loss) Income before income taxes			
U.S. Operations	$ 139.1	$ 161.4	$ 169.4
International Operations	(137.0)	32.9	(86.7)
Run-off Lines	(9.8)	(9.3)	(17.9)
Total segment (loss) income before taxes	(7.7)	185.0	64.8
Corporate and Other	(44.1)	(45.4)	(57.9)
Net realized investment and other gain (losses)	80.0	(72.0)	39.3
Foreign currency exchange gains	9.6	0.1	(6.3)
Other corporate expenses	(37.6)	—	—
Total income before income taxes	$ 0.2	$ 67.7	$ 39.9

The table below presents earned premiums by geographic location. 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, 2019	2018	2017
United States	$ 1,115.6	$ 1,073.1	$ 930.8
United Kingdom	391.5	455.8	489.3
Bermuda	80.7	85.4	92.1
Malta	85.0	61.0	11.1
All other jurisdictions	56.7	56.4	49.0
Total earned premiums	$ 1,729.5	$ 1,731.7	$ 1,572.3

The following table represents identifiable assets:

(in millions)	December 31, 2019	December 31, 2018
U.S. Operations	$ 5,009.0	$ 4,707.8
International Operations	5,002.4	3,984.7
Run-off Lines	356.9	444.8
Corporate and Other	146.2	420.9
Total	$ 10,514.5	$ 9,558.2

Included in total assets at December 31, 2019 and 2018 are $916.3 million and $880.4 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, 2019:

	Goodwill		Intangible Assets, Net of Accumulated Amortization	
(in millions)	2019	2018	2019	2018
U.S. Operations	$ 123.5	$ 123.5	$ —	$ 0.5
International Operations	37.9	53.5	91.8	93.0
Total	$ 161.4	$ 177.0	$ 91.8	$ 93.5

19. 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)	2019	2018
Bermuda	$ 1,460.8	$ 1,450.0
United Kingdom (2)	443.1	357.3
United States	1,051.4	1,003.8

(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)	2019	2018	2017
Bermuda	$ 7.1	$ 47.4	$ 55.1
United Kingdom (2)	(15.1)	(9.5)	(95.5)
United States	196.1	110.8	57.0

(1) Such amounts include ownership interests in affiliate insurance and reinsurance subsidiaries.

(2) In U.S. dollars

Dividends

As an insurance and reinsurance holding company, we are largely dependent on dividends and other permitted payments from our insurance and reinsurance subsidiaries to pay cash dividends to our shareholders, for debt service and for our operating expenses. The ability of our insurance and reinsurance subsidiaries to pay dividends to us is subject to certain restrictions imposed by the jurisdictions of domicile that regulate our insurance and reinsurance subsidiaries and each jurisdiction has calculations for the amount of dividends that an insurance and reinsurance 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, 2019.

Argo Re is the direct subsidiary of Argo Group, and therefore, has direct dividend paying capabilities to the parent.

As of December 31, 2019, 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, 2019 and 2018, the minimum statutory capital and surplus required to be maintained by Argo Re was $242.9 million and $320.4 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 2019 without prior regulatory approval is $365.2 million.

In 2019 and 2018, Argo Re paid a cash dividend of $52.1 million and $36.5 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. In 2017, Argo Re did not pay a dividend to Argo Group.

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. 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.

In December 2019, Argo Group U.S. received an ordinary dividend in the amount of $30.0 million in cash from Rockwood. In December 2019, Argo Group U.S. received an ordinary dividend in the amount of $50.0 million in cash from Argonaut Insurance Company. In December 2018, Argo Group U.S. received an ordinary dividend in the amount of $20.0 million in cash from Rockwood. Argo Group U.S. did not receive dividends from its subsidiaries in 2017.

Argonaut Insurance Company is a direct subsidiary of Argo Group U.S. and is regulated by the Illinois Division of Insurance. During 2020, Argonaut Insurance Company may be permitted to pay dividends of up to $110.2 million without approval from the Illinois Division of Insurance. Rockwood, a direct subsidiary of Argo Group U.S., is regulated by the Pennsylvania Department of Insurance. Rockwood may be permitted to pay dividends of up to $13.0 million without approval from the Pennsylvania Department of Insurance during 2020. 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 operations of Syndicates 1200 and 1910. 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.

During 2018 we realigned out internal ownership structure so that Ariel Corporate Member Ltd. ("ACML") became a direct subsidiary of AUA. Prior to 2018, ACML had been a subsidiary of Maybrooke Holdings, S.A.

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 2, "Investments" and Note 18, "Segment Information" for further discussion.

20. Insurance Assessments

We are required to participate in statutorily created insolvency guarantee, weather-related loss protection associations, and second-injury funds in all states in the U.S. 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 $6.9 million and $6.4 million at December 31, 2019 and 2018, respectively.

21. Transactions with Related Parties

In 2013, our Surety unit received a submission through its established broker network to issue approximately $13 million of surety bonds on behalf of Kinetica Partners, LLC ("Kinetica") in connection with a Gulf of Mexico pipeline project. Mr. Gary Woods, Chairman of our Board of Directors, is also the Chairman of the Board of Directors of Kinetica, and beneficially owns 10% of Kinetica through a family trust. The submission was underwritten, priced and bound in the ordinary course of business by the Surety unit. The terms and conditions of the surety bonds that were issued and the premium charged to Kinetica for issuance of the bonds, were consistent with those routinely applied and charged for similarly situated risks bound for unrelated third-parties. As of December 31, 2019, the surety bonds were still outstanding. Per the Surety unit's standard requirements in connection with the issuance of surety bonds, Kinetica and Mr. Woods, in his personal capacity, among others, executed our Surety unit's standard form of indemnity agreement holding our Surety unit harmless against any and all losses and expenses incurred resulting from the issuance of the surety bonds.

22. Unaudited Quarterly Financial Data

The following tables represent unaudited quarterly financial data for the years ended December 31, 2019 and 2018. In the opinion of management, all adjustments necessary to present fairly the results of operations for such periods have been made.

(in millions, except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
2019					
Earned premiums	$ 420.5	$ 431.7	$ 451.5	$ 425.8	$ 1,729.5
Losses and loss adjustment expenses	237.9	284.8	338.8	359.2	1,220.7
Underwriting, acquisition and insurance expenses [2]	160.2	161.4	164.0	180.2	665.8
Underwriting income (loss)	22.4	(14.5)	(51.3)	(113.6)	(157.0)
Net income (loss) before income taxes	100.1	29.6	(26.2)	(103.3)	0.2
Net income (loss)	91.2	28.8	(25.1)	(103.3)	(8.4)
Net income (loss) per common share:					
Basic [1]	$ 2.68	$ 0.84	$ (0.73)	$ (3.01)	$ (0.25)
Diluted [1]	$ 2.63	$ 0.83	$ (0.73)	$ (3.01)	$ (0.25)
Dividends per common share	$ 0.31	$ 0.31	$ 0.31	$ 0.31	$ 1.24

[1] Basic and diluted net income per common share are computed independently for each quarter and full year based on the respective average number of common shares outstanding; therefore, the sum of the quarterly net income per common share data may not equal the net income per common share for the year.

[2] Other corporate expenses of $0.5 million, $7.5 million, and $3.7 million in the first, second and third quarters of 2019, respectively, have been reclassified to conform to the presentation of "Other corporate expenses" as a separate line item on our Consolidated Statements of (Loss) Income.

(in millions, except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
2018					
Earned premiums	$ 414.7	$ 417.7	$ 446.9	$ 452.4	$ 1,731.7
Losses and loss adjustment expenses	237.2	245.5	277.5	280.6	1,040.8
Underwriting, acquisition and insurance expenses	160.2	156.8	168.0	169.7	654.7
Underwriting income	17.3	15.4	1.4	2.1	36.2
Net income (loss) before income taxes	25.0	57.1	45.3	(59.7)	67.7
Net income (loss)	24.8	41.8	40.6	(43.6)	63.6
Net income (loss) per common share [2]:					
Basic [1]	$ 0.73	$ 1.23	$ 1.20	$ (1.29)	$ 1.87
Diluted [1]	$ 0.71	$ 1.20	$ 1.17	$ (1.29)	$ 1.83
Dividends per common share [2]	$ 0.27	$ 0.27	$ 0.27	$ 0.27	$ 1.08

(1) Basic and diluted net income per common share are computed independently for each quarter and full year based on the respective average number of common shares outstanding; therefore, the sum of the quarterly net income per common share data may not equal the net income per common share for the year.

(2) On February 20, 2018, our Board declared at 15% stock dividend, payable on March 21, 2018, to shareholders of record at the close of business on March 7, 2018. The net income (loss) per common share and dividends declared per share have been adjusted to reflect the effect of the stock dividend.

23. 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, 2019 and 2018, the Notes consisted of the following:

(in millions)	December 31, 2019	December 31, 2018
Senior unsecured fixed rate notes		
Principal	$ 143.8	$ 143.8
Less: unamortized debt issuance costs	(3.8)	(4.0)
Senior unsecured fixed rate notes, less unamortized debt issuance costs	$ 140.0	$ 139.8

In accordance with Article 10 of SEC Regulation S-X, we have elected to present condensed consolidating financial information in lieu of separate financial statements for the Subsidiary Issuer. The following tables present condensed consolidating financial information at December 31, 2019 and 2018 and for the three years ended December 31, 2019, 2018 and 2017 of the Parent Guarantor and the Subsidiary Issuer. The Subsidiary Issuer is an indirect wholly-owned subsidiary of the Parent Guarantor. Investments in subsidiaries are accounted for by the Parent Guarantor under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are reflected in the Parent Guarantor's investment accounts and earnings.

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

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019
(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	$ 0.6	$ 3,405.6	$ 1,693.2	$ —	$ 5,099.4
Cash	1.9	31.6	104.3	—	137.8
Accrued investment income	—	18.2	7.5	—	25.7
Premiums receivable	—	231.3	456.9	—	688.2
Reinsurance recoverables	—	1,689.4	1,415.2	—	3,104.6
Goodwill and other intangible assets, net	40.6	123.4	89.2	—	253.2
Deferred tax assets, net	—	0.4	5.7	—	6.1
Deferred acquisition costs, net	—	88.4	71.8	—	160.2
Ceded unearned premiums	—	306.4	238.6	—	545.0
Operating lease right-of-use assets	7.1	59.6	25.1	—	91.8
Other assets	7.8	165.8	213.5	—	387.1
Assets held for sale	—	15.4	—	—	15.4
Intercompany note receivable	—	56.7	(56.7)	—	—
Investments in subsidiaries	1,916.7	—	—	(1,916.7)	—
Total assets	$ 1,974.7	$ 6,192.2	$ 4,264.3	$ (1,916.7)	$ 10,514.5
Liabilities and Shareholders' Equity					
Reserves for losses and loss adjustment expenses	$ —	$ 3,037.5	$ 2,120.1	$ —	$ 5,157.6
Unearned premiums	—	899.8	511.1	—	1,410.9
Funds held and ceded reinsurance payable, net	—	645.9	607.8	—	1,253.7
Debt	153.4	284.3	141.0	—	578.7
Current income taxes payable, net	—	8.2	(7.4)	—	0.8
Accrued underwriting expenses and other liabilities	13.6	87.6	124.8	—	226.0
Operating lease liabilities	7.3	68.9	29.5	—	105.7
Due to (from) affiliates	19.3	(13.4)	13.4	(19.3)	—
Total liabilities	193.6	5,018.8	3,540.3	(19.3)	8,733.4
Total shareholders' equity	1,781.1	1,173.4	724.0	(1,897.4)	1,781.1
Total liabilities and shareholders' equity	$ 1,974.7	$ 6,192.2	$ 4,264.3	$ (1,916.7)	$ 10,514.5

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

[2] Includes all Argo Group parent company eliminations.

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(in millions)

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

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

[2] Includes all Argo Group parent company eliminations.

CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ —	$ 1,043.9	$ 685.6	$ —	$ 1,729.5
Net investment income	49.2	103.3	50.7	(52.1)	151.1
Fee and other income	—	3.2	5.9	—	9.1
Net realized investment (losses) gains	(0.1)	80.9	(0.8)	—	80.0
Total revenue	49.1	1,231.3	741.4	(52.1)	1,969.7
Expenses:					
Losses and loss adjustment expenses	—	696.8	523.9	—	1,220.7
Underwriting, acquisition and insurance expenses	1.3	415.2	249.3	—	665.8
Other corporate expenses	26.8	10.8	—	—	37.6
Interest expense	6.6	18.4	8.6	—	33.6
Fee and other expense	—	4.2	1.6	—	5.8
Foreign currency exchange losses (gains)	—	0.7	(10.3)	—	(9.6)
Impairment of goodwill	—	—	15.6	—	15.6
Total expenses	34.7	1,146.1	788.7	—	1,969.5
Income (loss) before income taxes	14.4	85.2	(47.3)	(52.1)	0.2
Provision (benefit) for income taxes	—	16.8	(8.2)	—	8.6
Net income (loss) before equity in earnings of subsidiaries	14.4	68.4	(39.1)	(52.1)	(8.4)
Equity in undistributed earnings of subsidiaries	(22.8)	—	—	22.8	—
Net (loss) income	$ (8.4)	$ 68.4	$ (39.1)	$ (29.3)	$ (8.4)

[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
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ —	$ 861.9	$ 869.8	$ —	$ 1,731.7
Net investment income	33.8	79.4	56.4	(36.5)	133.1
Fee and other income	—	4.4	4.6	—	9.0
Net realized investment gains (losses)	2.5	(51.3)	(20.5)	(2.7)	(72.0)
Total revenue	36.3	894.4	910.3	(39.2)	1,801.8
Expenses:					
Losses and loss adjustment expenses	—	523.7	517.1	—	1,040.8
Underwriting, acquisition and insurance expenses	11.3	333.6	309.8	—	654.7
Interest expense	6.2	18.2	7.2	—	31.6
Fee and other expense	—	5.3	1.8	—	7.1
Foreign currency exchange losses (gains)	—	0.2	(0.3)	—	(0.1)
Total expenses	17.5	881.0	835.6	—	1,734.1
Income before income taxes	18.8	13.4	74.7	(39.2)	67.7
Provision for income taxes	—	(0.8)	4.9	—	4.1
Net income before equity in earnings of subsidiaries	18.8	14.2	69.8	(39.2)	63.6
Equity in undistributed earnings of subsidiaries	44.8	—	—	(44.8)	—
Net income	$ 63.6	$ 14.2	$ 69.8	$ (84.0)	$ 63.6

(1) Includes all other subsidiaries of Argo Group and all intercompany eliminations.

(2) Includes all Argo Group parent company eliminations.

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CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ —	$ 555.9	$ 1,016.4	$ —	$ 1,572.3
Net investment (expense) income	(4.5)	87.5	57.0	—	140.0
Fee and other income	—	18.8	3.7	—	22.5
Net realized investment gains (losses)	0.4	40.8	(1.9)	—	39.3
Total revenue	(4.1)	703.0	1,075.2	—	1,774.1
Expenses:					
Losses and loss adjustment expenses	—	337.9	712.3	—	1,050.2
Underwriting, acquisition and insurance expenses	14.3	266.6	354.5	—	635.4
Interest expense	4.3	17.2	6.2	—	27.7
Fee and other expense	—	12.4	2.2	—	14.6
Foreign currency exchange losses	0.1	0.1	6.1	—	6.3
Total expenses	18.7	634.2	1,081.3	—	1,734.2
(Loss) income before income taxes	(22.8)	68.8	(6.1)	—	39.9
Benefit for income taxes	—	(0.6)	(9.8)	—	(10.4)
Net (loss) income before equity in earnings of subsidiaries	(22.8)	69.4	3.7	—	50.3
Equity in undistributed earnings of subsidiaries	73.1	—	—	(73.1)	—
Net income	$ 50.3	$ 69.4	$ 3.7	$ (73.1)	$ 50.3

(1) Includes all other subsidiaries of Argo Group and all intercompany eliminations.

(2) Includes all Argo Group parent company eliminations.

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2019
(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
Net cash flows from operating activities	$ 38.4	$ 124.3	$ 20.6	$ —	$ 183.3
Cash flows from investing activities:					
Proceeds from sales of investments	—	1,297.3	554.8	—	1,852.1
Maturities and mandatory calls of fixed maturity investments	—	292.8	229.4	—	522.2
Purchases of investments	—	(1,303.8)	(680.2)	—	(1,984.0)
Change in short-term investments and foreign regulatory deposits	3.2	(351.4)	(142.2)	—	(490.4)
Settlements of foreign currency exchange forward contracts	(0.2)	1.8	(1.3)	—	0.3
Purchases of fixed assets and other, net	—	(41.4)	(1.6)	—	(43.0)
Cash provided by (used in) investing activities	3.0	(104.7)	(41.1)	—	(142.8)
Cash flows from financing activities:					
Payment on the intercompany note	—	(19.1)	19.1	—	—
Payment on note payable	—	(0.6)	—	—	(0.6)
Activity under stock incentive plans	1.9	—	—	—	1.9
Repurchase of Company's common shares	—	—	—	—	—
Payment of cash dividend to common shareholders	(43.1)	—	—	—	(43.1)
Cash (used in) provided by financing activities	(41.2)	(19.7)	19.1	—	(41.8)
Effect of exchange rate changes on cash	—	—	(0.1)	—	(0.1)
Change in cash	0.2	(0.1)	(1.5)	—	(1.4)
Cash, beginning of year	1.7	31.7	105.8	—	139.2
Cash, end of period	$ 1.9	$ 31.6	$ 104.3	$ —	$ 137.8

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

[2] Includes all Argo Group parent company eliminations.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2018
(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
Net cash flows from operating activities	$ 72.4	$ 182.4	$ 46.5	$ —	$ 301.3
Cash flows from investing activities:					
Proceeds from sales of investments	—	1,067.7	532.1	—	1,599.8
Maturities and mandatory calls of fixed maturity investments	—	344.9	73.7	—	418.6
Purchases of investments	—	(1,508.3)	(640.8)	—	(2,149.1)
Change in short-term investments and foreign regulatory deposits	(3.4)	(105.0)	(10.8)	—	(119.2)
Settlements of foreign currency exchange forward contracts	(0.5)	2.2	(3.2)	—	(1.5)
Cash acquired with acquisition of Ariscom	—	—	15.6	—	15.6
Purchases of fixed assets and other, net	(0.1)	(19.0)	(13.4)	—	(32.5)
Cash (used in) provided by investing activities	(4.0)	(217.5)	(46.8)	—	(268.3)
Cash flows from financing activities:					
Borrowing under the intercompany note	—	19.0	(19.0)	—	—
Activity under stock incentive plans	1.6	—	—	—	1.6
Repurchase of Company's common shares	(31.7)	—	—	—	(31.7)
Payment of cash dividend to common shareholders	(37.5)	—	—	—	(37.5)
Cash (used in) provided by financing activities	(67.6)	19.0	(19.0)	—	(67.6)
Effect of exchange rate changes on cash	—	—	(2.8)	—	(2.8)
Change in cash	0.8	(16.1)	(22.1)	—	(37.4)
Cash, beginning of year	0.9	47.8	127.9	—	176.6
Cash, end of period	$ 1.7	31.7	105.8	—	139.2

(1) Includes all other subsidiaries of Argo Group and all intercompany eliminations.

(2) Includes all Argo Group parent company eliminations.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2017
(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
Net cash flows from operating activities	$ 20.8	$ 149.5	$ (5.3)	$ —	$ 165.0
Cash flows from investing activities:					
Proceeds from sales of investments	—	809.5	920.4	—	1,729.9
Maturities and mandatory calls of fixed maturity investments	—	483.1	195.2	—	678.3
Purchases of investments	—	(1,495.6)	(1,165.2)	—	(2,660.8)
Change in short-term investments and foreign regulatory deposits	1.5	67.1	230.9	—	299.5
Settlements of foreign currency exchange forward contracts	0.9	(8.2)	4.4	—	(2.9)
Acquisition of subsidiaries, net of cash	(235.3)	—	130.1	—	(105.2)
Issuance of intercompany note, net	—	—	(120.0)	120.0	—
Purchases of fixed assets and other, net	(0.1)	(26.2)	(33.8)	—	(60.1)
Cash (used in) provided by investing activities	(233.0)	(170.3)	162.0	120.0	(121.3)
Cash flows from financing activities:					
Additional long-term borrowings	125.0	—	—	—	125.0
Borrowing under the intercompany note	120.0	60.0	(60.0)	(120.0)	—
Activity under stock incentive plans	1.4	—	—	—	1.4
Repurchase of Company's common shares	(0.1)	(45.1)	—	—	(45.2)
Payment of cash dividend to common shareholders	(33.2)	—	—	—	(33.2)
Cash provided by (used in) financing activities	213.1	14.9	(60.0)	(120.0)	48.0
Effect of exchange rate changes on cash	—	—	(1.1)	—	(1.1)
Change in cash	0.9	(5.9)	95.6	—	90.6
Cash, beginning of year	—	53.7	32.3	—	86.0
Cash, end of year	$ 0.9	$ 47.8	$ 127.9	$ —	$ 176.6

(1) Includes all other subsidiaries of Argo Group and all intercompany eliminations.

(2) Includes all Argo Group parent company eliminations.

24. Subsequent Event

On February 6, 2020, we announced that we had reached an agreement to sell our Trident Public Risk Solutions ("Trident") brand and underwriting platform to Paragon Insurance Holdings, LLC ("Paragon"). Trident is one of the business units within our U.S. Operations reporting segment. The transaction is expected to close in the first half of 2020 for a sales price of approximately $43 million in cash. We expect to recognize a pre-tax gain of approximately $37 million during the period the transaction closes.

Paragon will continue to write business on Argo paper through a managing general agency agreement for the next four years, as we will retain Trident's claims operations and provide claims services to Paragon for the public entity business.

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(in millions)

BALANCE SHEETS	December 31,	
	2019	2018
Assets		
Short-term investments	$ 0.6	$ 3.8
Investment in subsidiaries	1,916.7	1,852.7
Cash	1.9	1.7
Goodwill and other intangible assets, net	40.6	41.9
Operating lease right-of-use assets	7.1	—
Other assets	7.8	15.7
Total assets	$ 1,974.7	$ 1,915.8
Liabilities and Shareholders' Equity		
Junior subordinated debentures	$ 28.4	$ 28.4
Other indebtedness	125.0	125.0
Accrued underwriting expenses and other liabilities	13.6	7.2
Operating lease liabilities	7.3	—
Due to subsidiaries	19.3	8.5
Total liabilities	193.6	169.1
Shareholders' equity	1,781.1	1,746.7
Total liabilities and shareholders' equity	$ 1,974.7	$ 1,915.8

STATEMENTS OF (LOSS) INCOME	For the Years Ended December 31,		
	2019	2018	2017
Revenue:			
Net investment income (expense) [1]	$ 49.2	$ 33.8	$ (4.5)
Net realized investment (loss) gains	(0.1)	2.5	0.4
Total revenue	49.1	36.3	(4.1)
Expenses:			
Interest expense	6.6	6.2	4.3
Operating expenses	1.3	11.3	14.3
Other corporate expenses	26.8	—	—
Foreign currency exchange loss	—	—	0.1
Total expenses	34.7	17.5	18.7
Net income before equity in earnings of subsidiaries [2]	14.4	18.8	(22.8)
Equity in undistributed earnings of subsidiaries	(22.8)	44.8	73.1
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3

[1] For the year ended December 31, 2019 and 2018, net investment income includes intercompany dividends of $52.1 million and $36.5 million, respectively.

[2] 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,		
	2019	2018	2017
Cash flows from operating activities:			
Net (loss) income	$ (8.4)	$ 63.6	$ 50.3
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization and depreciation	1.3	1.4	1.3
Share-based payments expense	8.1	7.0	3.3
Net realized investment and other gains	0.1	(2.5)	(0.4)
Undistributed earnings of subsidiaries	22.8	(44.8)	(73.1)
Change in:			
Prepaid assets	2.5	(2.3)	(0.3)
Accrued underwriting expenses	7.3	(4.4)	(2.3)
Due to subsidiaries	16.8	57.6	48.1
Other, net	(12.1)	(3.2)	(6.1)
Cash provided by operating activities	38.4	72.4	20.8
Cash flows from investing activities:			
Change in short-term investments	3.2	(3.4)	1.5
Settlements of foreign currency exchange forward contracts	(0.2)	(0.5)	0.9
Acquisition of subsidiaries, net of cash	—	—	(235.3)
Purchases of fixed assets and other, net	—	(0.1)	(0.1)
Cash provided by (used in) investing activities	3.0	(4.0)	(233.0)
Cash flows from financing activities:			
Additional borrowings	—	—	125.0
Borrowings under intercompany note payable, net	—	—	120.0
Activity under stock incentive plans	1.9	1.6	1.4
Repurchase of Company's common shares	—	(31.7)	(0.1)
Payment of cash dividend to common shareholders	(43.1)	(37.5)	(33.2)
Cash (used in) provided by financing activities	(41.2)	(67.6)	213.1
Change in cash	0.2	0.8	0.9
Cash, beginning of year	1.7	0.9	—
Cash, end of year	$ 1.9	$ 1.7	$ 0.9

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE III
SUPPLEMENTAL INSURANCE INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(in millions)

Segment	DAC (a)	Reserves for Losses and Loss Adjustment Expenses (b)	UPR (c)	Premium Revenue (d)	Net Investment Income (1)	Loss & LAE (e)	Amortization (Deferral) DAC (f) (2)	Other Operating Expenses (3)	Net Premiums Written (g)
Year Ended December 31, 2019									
U.S. Operations	89.7	2,775.1	896.1	1,119.7	100.0	690.4	(2.5)	366.2	1,166.1
International Operations	70.5	2,129.0	514.7	609.6	44.2	518.3	14.9	265.1	588.1
Run-off Lines	—	253.5	0.1	0.2	5.7	12.0	—	2.4	0.2
Corporate and Other	—	—	—	—	1.2	—	—	44.5	—
Total	$ 160.2	$ 5,157.6	$ 1,410.9	$ 1,729.5	$ 151.1	$ 1,220.7	$ 12.4	$ 678.2	$ 1,754.4
Year Ended December 31, 2018									
U.S. Operations	87.2	2,498.9	793.3	1,078.9	82.9	628.2	(6.4)	361.2	1,125.7
International Operations	80.1	1,890.1	507.6	652.5	32.9	400.3	(3.5)	249.3	639.5
Run-off Lines	—	265.6	—	0.3	8.1	12.3	—	3.9	0.3
Corporate and Other	—	—	—	—	9.2	—	—	50.2	—
Total	$ 167.3	$ 4,654.6	$ 1,300.9	$ 1,731.7	$ 133.1	$ 1,040.8	$ (9.9)	$ 664.6	$ 1,765.5
Year Ended December 31, 2017									
U.S. Operations	80.8	2,196.1	695.1	936.6	87.2	528.1	(17.3)	336.4	1,031.8
International Operations	79.6	1,723.0	512.6	635.8	32.7	504.8	5.4	236.8	621.7
Run-off Lines	—	281.9	—	(0.1)	9.3	17.3	—	8.3	—
Corporate and Other	—	—	—	—	10.8	—	—	65.8	—
Total	$ 160.4	$ 4,201.0	$ 1,207.7	$ 1,572.3	$ 140.0	$ 1,050.2	$ (11.9)	$ 647.3	$ 1,653.5

[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, 2019							
Deducted from assets:							
Valuation allowance for deferred tax asset	$ 29.9	$ (1.1)	$ —		$ —	$ —	$ 28.8
Year Ended December 31, 2018							
Deducted from assets:							
Valuation allowance for deferred tax asset	$ 20.1	$ (1.5)	$ —	$ 11.3	$ —	$ —	$ 29.9
Year Ended December 31, 2017							
Deducted from assets:							
Valuation allowance for deferred tax asset	$ 23.5	$ (6.2)	$ —	$ 2.7	$ 0.1	$ —	$ 20.1

ARGO GROUP INTERNATIONAL HOLDINGS, LTD.
SCHEDULE VI
SUPPLEMENTAL INFORMATION FOR PROPERTY-CASUALTY INSURANCE COMPANIES
(in millions)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Deferred acquisition costs	$ 160.2	$ 167.3	$ 160.4
Reserves for losses and loss adjustment expenses	$ 5,157.6	$ 4,654.6	$ 4,201.0
Unamortized discount in reserves for losses	$ 17.9	$ 16.9	$ 17.6
Unearned premiums	$ 1,410.9	$ 1,300.9	$ 1,207.7
Premiums earned	$ 1,729.5	$ 1,731.7	$ 1,572.3
Net investment income	$ 151.1	$ 133.1	$ 140.0
Losses and loss adjustment expenses incurred:			
Current year	$ 1,082.6	$ 1,058.8	$ 1,058.4
Prior years	138.1	(18.0)	(8.2)
Losses and loss adjustment expenses incurred	$ 1,220.7	$ 1,040.8	$ 1,050.2
Amortization (deferral) of policy acquisition costs [1]	$ 12.4	$ (9.9)	$ (11.9)
Paid losses and loss adjustment expenses, net of reinsurance	$ 1,030.3	$ 938.9	$ 889.4
Gross premiums written	$ 3,129.2	$ 2,955.2	$ 2,697.2

[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.”

February 24, 2020

DESCRIPTION OF THE REGISTRANT'S SECURITIES

REGISTERED PURSUANT TO SECTION 12 OF THE

SECURITIES EXCHANGE ACT OF 1934

Argo Group International Holdings, Ltd. ("Argo Group," "Company," "we," "us," and "our") has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended:

(a) common shares, par value $0.01 per share (the "common shares"); and

(b) the 6.500% Senior Notes due 2042 (the "Notes") issued by Argo Group U.S., Inc. ("Argo Group U.S."), a wholly owned subsidiary of the Company, and our guarantee of such Notes.

The following is a summary description of the material terms of such securities. It may not contain all the information that is important to you. For additional information, you should refer to the provisions of our Amended and Restated Memorandum of Association (the "Memorandum of Association"), our Amended and Restated Bye-Laws (the "Bye-Laws"), the Argo Group U.S. Notes, Senior Indenture and First Supplemental Indenture applicable to the Notes, each of which is an exhibit to the Annual Report on Form 10-K to which this description is an exhibit and are incorporated herein by reference.

We are incorporated as an exempted company limited by shares under the Bermuda Companies Act of 1981, as amended (the "Companies Act"). Please also refer to the applicable provisions of the Companies Act for additional information.

DESCRIPTION OF SHARE CAPITAL

The rights of our shareholders are governed by Bermuda law, our Memorandum of Association and our Bye-Laws. Our authorized share capital stock is 500,000,000 common shares, par value $1.00 per share, and 30,000,000 preferred shares, par value $1.00 per share. No preferred shares are currently outstanding.

Common Shares

Listing

Our common shares are listed on the New York Stock Exchange (the "NYSE") under the symbol "ARGO."

Dividend Rights

Subject to any preferred shares created by our board of directors, each outstanding common share is entitled to such dividends as our board of directors may declare from time to time out of funds that we can legally use to pay dividends.

Voting Rights

Subject to the adjustment regarding voting set forth in "Voting Adjustments" below, each holder of our common shares is entitled to one vote for each common shares and does not have any right to cumulate votes in the election of directors.

Liquidation Rights

In the event of our liquidation, dissolution or winding-up, holders of our common shares will be entitled to receive on a pro-rata basis any assets remaining after provision for payment of creditors and after payment of any liquidation preferences to holders of preferred shares.

Other Rights

Holders of our common shares are not entitled to preemptive, redemption, or sinking fund rights. When we issue and receive payment for common shares, the shares will be fully paid and nonassessable, which means that its holders will have paid their purchase price in full and that we may not ask them to surrender additional funds.

Voting Adjustments

Under our Bye-Laws, the voting power of all shares is automatically adjusted to the extent necessary so that there is no 9.5% U.S. Member (as defined below), provided that no one Member (as defined below) owns greater than 75% of the voting power of the issued shares of the Company determined without applying the following voting power adjustments or eliminations. Our board of directors shall from time to time, including prior to any time at which a vote of Members is taken, take all reasonable steps necessary to ascertain, through communications with Members or otherwise, whether there exists, or will exist at the time any vote of Members is taken, a Tentative 9.5% U.S. Member (as defined below). In the event that a Tentative 9.5% U.S. Member exists, the aggregate votes conferred by shares held by a Member and treated as Controlled Shares (as defined below) of that Tentative 9.5% U.S. Member shall be reduced to the extent necessary such that the Controlled Shares of the Tentative 9.5% U.S. Member will constitute less than 9.5% of the voting power of all issued and outstanding shares. In applying the previous sentence where shares held by more than one Member are treated as Controlled Shares of such Tentative 9.5% U.S. Member, the reduction in votes shall apply to such Members in descending order according to their respective Attribution Percentages (as defined below), provided that, in the event of a tie, the reduction shall apply pro rata to such Members. The votes of Members owning no shares treated as Controlled Shares of any Tentative 9.5% U.S. Member shall, in the aggregate, be increased by the same number of votes subject to reduction as described above provided however that no shares shall be conferred votes to the extent that doing so will cause any person to be treated as a 9.5% U.S. Member. Such increase shall be apportioned to all such Members in proportion to their voting power at that time, provided that such increase shall be limited to the extent necessary to avoid causing any person to be a 9.5% U.S. Member.

The adjustments of voting power described above shall apply repeatedly until there would be no 9.5% U.S. Member. Our board of directors may deviate from any of the principles described above and determine that shares held by a Member shall carry different voting rights as it determines appropriate (1) to avoid the existence of any 9.5% U.S. Member or (2) to avoid adverse tax, legal or regulatory consequences to us, any of our subsidiaries, or any direct or indirect shareholder or its affiliates.

In addition, our board of directors may adjust a shareholder's voting rights to the extent that our board of directors determines that it is necessary in order to avoid adverse tax, legal or regulatory consequences to the Company, any subsidiary of the Company, or any other direct or indirect holder of shares or its affiliates, provided that no adjustment pursuant to this sentence shall cause any person to become a 9.5% U.S. Member.

Our board of directors also has the authority under our Bye-Laws to request from any direct or indirect shareholder such information as may be reasonably requested for the purpose of determining whether any holder's voting rights are to be adjusted pursuant to the bye-laws. If a shareholder fails to respond to such a request or submits incomplete or inaccurate information in response to such a request, our board of directors, in its sole discretion, may determine that such holder's shares shall carry no voting rights until otherwise determined by our board of directors.

Restrictions on Transfer

Our Bye-Laws provide that if our board of directors determines that share ownership by any shareholder may result in any non-de minimis adverse tax, regulatory or legal consequences to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates, then it may decline to approve or register or permit the registration of such transfer of shares. In addition, our board of directors may, in its absolute discretion, decline to register a transfer of any share to more than four joint holders.

In addition, each transfer must comply with current Bermuda Monetary Authority ("BMA") permission or have specific permission from the BMA. Transfers must be by instrument unless otherwise permitted by the Companies Act.

If our board of directors refuses to register a transfer in accordance with our bye-laws, it shall send written notice to the proposed transferor and transferee within 120 days after the date on which the transfer was delivered to the Company. The Bye-Laws also provide that our board of directors may suspend the registration of transfers at such time and for such periods as our board of directors may determine, provided that they may not suspend the registration of transfers for more than 30 days in any year.

Anti-Takeover Effects of Bye-laws

Provisions of our bye-laws may delay or make more expensive or difficult unsolicited acquisitions or changes of our control. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of our board of directors or current management without their agreement. We believe that these provisions will enable us to develop our business in a manner that will foster long-term growth without disruption caused by the threat of a takeover not thought by our board of directors to be in our best interests and the best interests of our stockholders.

Our Bye-Laws currently provide that our board of directors shall consist of not less than three nor more than 13 directors, as determined by the Company by ordinary resolution, divided into three approximately equal classes (Class I, Class II, and Class III). Nominations to our board of directors other than those made by our board of directors must be delivered to or mailed and received at the Company not less than 60 days prior to a general meeting of our shareholders. Directors may be removed, with or without cause, prior to the expiration of such director's term at a meeting of shareholders, provided that such director is given notice before the meeting and is given the opportunity to be heard at such meeting. The appointment or removal of a director requires the simple majority of votes entitled to vote thereon, represented in person or by proxy, at the general meeting at which the proposal is put forth. A special general meeting of shareholders may be convened by our board of directors or at the request of shareholders holding at the date of the delivery of the written notice of not less than 10% of the paid-up voting share capital of Argo Group.

As described above, any U.S. person owning, directly, indirectly or by attribution, more than 9.5% of our common shares will have the voting rights attached to such common shares reduced so that it may not exercise more than 9.5% of the total voting rights.

As described above, our board of directors also may decline to register the transfer of any shares if it believes that the transfer may expose us, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates to non-de minimis adverse tax, legal, or regulatory treatment or if any share is be to transferred to more than four joint holders. A transferor of our shares will be deemed to own the shares until the name of the transferee is entered on our register of members.

Subject to any resolution of our shareholders to the contrary, our board of directors shall have the power to appoint any person as a director to fill a casual vacancy on our board of directors, provided that the number of directors so appointed shall not exceed any maximum number determined by our shareholders in a general meeting of our shareholders and may also fill any vacancy caused by the removal of a director by our shareholders, provided that our shareholders have not elected or appointed any director at the meeting at which the director was removed or passed a resolution to the contrary.

Any amendment to our bye-laws or our memorandum of association shall be approved by our board of directors and decided on by an ordinary resolution of our shareholders.

Restrictions on Ownership Under Insurance Laws

The application of various insurance laws in the jurisdictions in which our insurance subsidiaries are incorporated or commercially domiciled will be a significant deterrent to any person interested in acquiring control. The insurance holding company laws of each of the jurisdictions in which our insurance subsidiaries are incorporated or commercially domiciled, as well as state corporation laws, govern any acquisition of control of our insurance subsidiaries or of us. In general, these laws provide that no person or entity may directly or indirectly acquire control of an insurance company unless that person or entity has received the prior approval of the insurance regulatory authorities. An acquisition of control would be presumed in the case of any person or entity who purchases 10% or more of our outstanding common shares, unless the applicable insurance regulatory authorities determine otherwise.

Pursuant to the Bermuda Insurance Act 1978 and its related regulations, a shareholder or prospective shareholder is responsible for notifying the BMA in writing of his becoming a shareholder controller, directly or indirectly, of 10%, 20%, 33% or 50% of Argo Group and ultimately its Bermudian insurance subsidiary, Argo Re Ltd. ("Argo Re"), within 45 days of becoming such a shareholder controller. Argo Re is also required to notify the BMA in the event of any person becoming or ceasing to be a controller (being a managing director, chief executive or other person in accordance with whose directions or instructions the directors of Argo Re are accustomed to act, including any person who holds, or is entitled to exercise, 10% or more of the voting shares or voting power or is able to exercise a significant influence over the management of Argo Re) or officer of the company. The BMA may serve a notice of objection on any controller of Argo Re if it appears to the BMA that the person is no longer fit and proper to be such a controller.

DESCRIPTION OF THE NOTES AND THE GUARANTEE

In September 2012, the Company's subsidiary, Argo Group U.S., issued $143,750,000 aggregate principal amount of Argo Group U.S.'s 6.5% senior notes due 2042. The Company fully and unconditionally guaranteed all payments on the Notes (the "Guarantee").

Listing

The Notes (and the Guarantee with respect thereto) are listed on the NYSE under the symbol "ARGD."

General

The Notes are unsecured and unsubordinated obligations of Argo Group U.S. and rank equally in right of payment with all of its other unsecured and unsubordinated indebtedness from time to time outstanding. The Notes will mature on September 15, 2042, unless previously redeemed in full by Argo U.S. as provided below.

The Notes bear interest at the rate of 6.500% per annum from and including September 25, 2012 to maturity or early redemption. Interest on the Notes are be payable on the 15th day of March, June, September and December of each year, commencing on December 15, 2012, to the persons in whose names such Notes were registered at the close of business on the immediately preceding 1st day of March, June, September and December (whether or not a business day), respectively.

Interest payments in the respect of the Notes equal the amount of interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or duly provided for (or from and including the date of issue, if no interest has been paid or duly provided for with respect to the Notes), to, but not including, the applicable interest payment date or stated maturity date or date of earlier redemption, as the case may be. Interest on the Notes is computed on the basis of a 360-day year comprised of twelve 30-day months.

If any interest payment date falls on a day that is not a business day, the interest payment will be postponed until the next succeeding business day, and no interest on such payment will accrue for the period from and after such interest payment date. Similarly, if the maturity date of the Notes falls on a day that is not a business day, the payment of interest and principal may be made on the next succeeding business day, and no interest on such payment will accrue for the period from and after the maturity date. As used in this prospectus supplement, "business day" means any day other than a day on which banking institutions in The City of New York or any place of payment are authorized or required by law, executive order or regulation to close.

The indenture governing the Notes (the "Indenture") does not limit the aggregate principal amount of the debt securities which Argo U.S. may issue thereunder and will provide that Argo U.S. may issue debt securities thereunder from time to time in one or more series. Argo U.S. may, from time to time, without the consent of or notice to holders of the Notes, issue and sell additional debt securities ranking equally and ratably with the Notes in all respects and having the same terms as the Notes (other than the issue date, and to the extent applicable, issue price, initial date of interest accrual and initial interest payment date of such additional debt securities), so that such additional debt securities shall be consolidated and form a single series with the Notes for all purposes, including voting; provided, that such additional debt securities are fungible with the previously issued Notes for U.S. federal income tax purposes.

The Notes are not entitled to the benefit of any mandatory redemption or sinking fund or to redemption or repurchase at the option of the holders upon a change of control, a change in management, an asset sale or any other specified event.

The Notes are issued only in fully registered form without coupons in minimum denominations of $25 and integral multiples of $25 in excess thereof. The Notes may be presented for transfer (duly endorsed or accompanied by a written instrument of transfer, if so required by Argo U.S. or the security registrar) or exchanged for other Notes (containing identical terms and provisions, in any authorized denominations, and of a like aggregate principal amount) at the office or agency maintained by Argo U.S. for such purposes (initially the corporate trust office of the trustee). Such transfer or exchange will be made without service charge, but Argo U.S. may require payment of a sum sufficient to cover any tax or other governmental charge and any other expenses then payable.

The Indenture does not contain any provisions that would limit Argo Groups', or any of its subsidiaries' ability to incur indebtedness or that would afford holders of the Notes protection in the event of a sudden and significant decline in Argo Groups', or any of its subsidiaries, credit quality or a takeover, recapitalization or highly leveraged or similar transaction involving Argo Group or any of its subsidiaries. Accordingly, Argo Group and/or Argo U.S. could in the future enter into transactions that could increase the amount of indebtedness outstanding at that time or otherwise affect their respective capital structure or credit rating.

Guarantee

Argo Group has fully and unconditionally guaranteed all payments on the Notes. The guarantee is the senior unsecured obligation of Argo Group and will rank equally in right of payment with all other existing and future unsecured and unsubordinated indebtedness of Argo Group from time to time outstanding. The guarantee is effectively subordinated to all existing and future secured obligations of Argo Group to the extent of the security thereof and structurally subordinated to all existing and future obligations of Argo Group's subsidiaries, including claims with respect to trade payables.

Optional Redemption

The Notes may be redeemed, for cash, in whole or in part, on or after September 15, 2017, at Argo U.S.'s option, at any time and from time to time, until 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.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed at such holder's registered address. If less than all the Notes are to be redeemed at our option, the trustee shall determine, in such manner as it deems appropriate and fair, the principal amount of such Notes held by each beneficial owner of such Notes to be redeemed. The trustee may select Notes and portions of Notes in amounts of $25 and integral multiples of $25 in excess thereof. Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes or portions thereof called for redemption on such redemption date.

Nothing in the Indenture prohibits Argo U.S. from acquiring the Notes by means other than a redemption, whether pursuant to an issuer tender offer or otherwise, assuming such acquisition does not otherwise violate the terms of the Indenture.

Payment of Additional Amounts

If any taxes, assessments or other governmental charges are imposed by the jurisdiction, other than the United States, where Argo Group or Argo U.S., or any of their respective successors (a "Payor"), is organized or otherwise considered to be a resident for tax purposes, any jurisdiction, other than the United States, from or through which the Payor makes a payment on the Notes, or, in each case, any political organization or governmental authority thereof or therein having the power to tax (the "Relevant Tax Jurisdiction") in respect of any payments under the Notes, the Payor will pay to each holder of the Notes, to the extent it may lawfully do so, such additional amounts as may be necessary in order that the net amounts paid to

such holder will be not less than the amount specified in such Notes to which such holder is entitled; provided, however, the Payor will not be required to make any payment of additional amounts for or on account of:

(A) any tax, assessment or other governmental charge which would not have been imposed but for (1) the existence of any present or former connection between a noteholder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership, limited liability company or corporation) and the Relevant Tax Jurisdiction (other than by reason of the mere ownership of, or receipt of payment under, the Notes) including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or (2) the presentation of a note (where presentation is required) for payment on a date more than 30 days after (x) the date on which such payment became due and payable or (y) the date on which payment thereof is duly provided for, whichever occurs later;

(B) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(C) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payment of (or in respect of) principal of, premium, if any, or any interest on, the Notes;

(D) any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure by the holder or the beneficial owner of the Notes to comply with a request of the Payor addressed to the holder within 90 days of such request (a) to provide information, documents or other evidence concerning the nationality, residence or identity of the holder or beneficial holder or (b) to make any declaration or other similar claim or satisfy any information or reporting requirement, which is required or imposed by statute, treaty, regulation or administrative practice of the Relevant Tax Jurisdiction or any political subdivision thereof as a precondition to exemption from all or part of such tax, assessment or other governmental charge; or

(E) any combination of the above.

Additional amounts also will not be paid with respect to any payment of the principal of, or any premium or interest on, any Notes to any holder who is a fiduciary or partnership or limited liability company or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Relevant Tax Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or limited liability company or beneficial owner who would not have been entitled to such additional amounts had it been the holder of such Notes.

Redemption for Tax Purposes

Argo U.S. may redeem the Notes at its option, at any time, for cash, in whole but not in part, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest and additional amounts, if any, to, but not including, the date fixed for redemption, at any time the Payor receives an opinion of counsel that as a result of (1) any change in or amendment to the laws or treaties (or any regulations or rulings promulgated under these laws or treaties) of a Relevant Tax Jurisdiction or any change in the application or official interpretation of such laws, regulations or rulings, (2) any action taken by a taxing authority of a Relevant Tax Jurisdiction which action is generally applied or is taken with respect to it, or (3) a decision rendered by a court of competent jurisdiction in a Relevant Tax Jurisdiction whether or not such decision was rendered with respect to the Payor, there is a substantial probability that the Payor is or will be required as of the next interest payment date to pay additional amounts with respect to the Notes as provided in “Payment of Additional Amounts” above and such requirements cannot be avoided by the use of reasonable measures (consistent with practices and interpretations generally followed or in effect at the time such measures could be taken) then available. If Argo U.S. elects to redeem the Notes under this provision, it will give written notice of such election to the trustee and the holders of the Notes. Interest on the Notes will cease to accrue unless we default in the payment of the redemption price.

Consolidation, Merger and Sale of Assets

Neither Argo U.S. nor Argo Group may consolidate with or merge into or amalgamate with any other company or entity or sell, assign, transfer, lease or otherwise convey all or substantially all its assets to another company or entity, unless:

- in the case Argo U.S. or Argo Group consolidates or amalgamates with or merges into another person or sells, assigns, transfers, leases or otherwise conveys all or substantially all of its assets, the person formed by that consolidation or into which Argo U.S. or Argo Holdings is merged or the person which acquires all or substantially all its assets expressly assumes our obligations on the debt securities under a supplemental indenture, and, with respect to the senior indenture, is a corporation, partnership, trust or limited liability company organized under the laws of the United States of America, any State or territory thereof or the District of Columbia, Bermuda, Cayman Islands, Barbados or any other country or state (including under the law of any political subdivision thereof) which is on the date of the indenture a member of the Organization for Economic Cooperation and Development;

- immediately after giving effect to the transaction no event of default, and no event which, after notice or lapse of time or both, would become an event of default, has occurred and is continuing; and

- Argo U.S. or Argo Group (as applicable) or the successor have delivered to the trustee an officer’s certificate and an opinion of counsel stating compliance with these provisions.

Certain Covenants

Limitation on Liens. Argo Group shall not, and shall not permit its restricted subsidiaries to, issue, assume, incur or enter into a guarantee of, any indebtedness for borrowed money secured by a mortgage, pledge, lien, encumbrance or other security interest, directly or indirectly, upon any voting shares of a restricted subsidiary which are now owned or hereafter acquired by Argo Group or its subsidiaries without effectively providing concurrently that the senior debt securities (and if Argo U.S. or Argo Group so elects, any other indebtedness of Argo U.S. or Argo Group ranking on a parity with the senior debt securities) shall be secured equally and ratably with, or prior to, any such secured indebtedness so long as such indebtedness remains outstanding. This restriction shall not apply to permitted liens.

Restrictions on Certain Dispositions. As long as any of the Notes remain outstanding, and except in a transaction otherwise expressly permitted by the Indenture, (1) issue, sell, assign, transfer or otherwise dispose of any capital stock of, or securities convertible into, or warrants, rights or options to subscribe for or purchase shares of capital stock of, any restricted subsidiary (other than to Argo U.S., Argo Group or another restricted subsidiary); or (2) permit any restricted subsidiary to issue (other than to Argo U.S., Argo Group or another restricted subsidiary) any capital stock (other than director’s qualifying shares) of, or securities

convertible into, or warrants, rights or options to subscribe for or purchase any capital stock of, any restricted subsidiary; if, after giving effect to any transaction described in clauses (1) or (2) above and the issuance of the maximum number of shares or other equity interests issuable upon the conversion or exercise of all such convertible securities, warrants, rights or options, Argo Group would own, directly or indirectly, less than 80% of the capital stock of such restricted subsidiary; provided, however, that this covenant shall not prohibit (i) any issuance, sale, assignment, transfer or other disposition made for at least a fair market value consideration as determined by the board of directors of Argo Group pursuant to a resolution adopted in good faith; and (ii) any such issuance or disposition of securities if required by any law or any regulation or order of any applicable governmental or insurance regulatory authority. Notwithstanding the foregoing, Argo Group shall be permitted (A) to merge or consolidate any restricted subsidiary into or with another direct or indirect subsidiary of Argo Group, the capital stock of which Argo Group owns, directly or indirectly, at least 70%; and (B) subject to the provisions of the Indenture relating to consolidation, merger, and/or sale of all or substantially all of the assets of Argo Group or Argo U.S. and described above in "—Consolidation, Merger and Sale of Assets", sell, assign, transfer or otherwise dispose of all of the capital stock of any restricted subsidiary at one time for at least a fair market value consideration as determined by the board of directors of Argo Group pursuant to a resolution adopted in good faith.

Terms Used in Restrictive Covenants

The following are the meanings of terms that are important in understanding the restrictive covenants described above:

- "capital stock" of any person or entity means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person or entity, including any preferred stock and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

- "subsidiary" means any corporation, partnership or other entity of which at the time of determination Argo Group owns or controls directly or indirectly more than 50% of the shares of voting shares.

- "restricted subsidiary" means any future or present subsidiary of Argo Group the consolidated total assets of which constitute 20 percent or more of the consolidated total assets of Argo Group.

- "consolidated total assets" means, in respect of Argo Group, as of any date of determination, the amount of total assets shown on the consolidated balance sheet of Argo Group and its consolidated subsidiaries delivered to the trustee under the terms of the Indenture, which shall be the balance sheet contained in the most recent annual or quarterly report filed with the Securities and Exchange Commission and, in respect of any subsidiary of Argo Group, the total assets of such subsidiary and its consolidated subsidiaries as shown on the consolidated balance sheet of Argo Group described above.

- "permitted liens" means (i) pledges, mortgages, liens, encumbrances or other security interests existing on the date the senior debt securities are issued; (ii) pledges, mortgages, liens, encumbrances or other security interests on any property or any indebtedness of a person existing at the time the person becomes a subsidiary (whether by acquisition, merger or consolidation) which were not incurred in anticipation thereof; (iii) pledges, mortgages, liens, encumbrances or other security interests in favor of us or our subsidiaries; (iv) pledges, mortgages, liens, encumbrances or other security interests existing at the time of acquisition of the assets encumbered thereby which were not incurred in anticipation of such acquisition; (v) purchase money pledges, mortgages, liens, encumbrances or other security interests which secure indebtedness that does not exceed the cost of the purchased property; and (vi) pledges, mortgages, liens, encumbrances or other security interests on real property acquired after the date on which the Notes are first issued which secure indebtedness incurred to acquire such real property or improve such real property so long as (A) such indebtedness is incurred on the date of acquisition of such real property or within 180 days of the acquisition of such real property; (B) such pledges, mortgages, liens, encumbrances or other security interests secure indebtedness in an amount no greater than the purchase price or improvement price, as the case may be, of such real property so acquired; and (C) such pledges, mortgages, liens, encumbrances or other security interests do not extend to or cover any property of ours or any restricted subsidiary other than the real property so acquired.

- *"voting shares"* means shares of any class or classes having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of the corporation in question, provided that, for the purposes hereof, shares which carry only the right to vote conditionally on the happening of an event shall not be considered voting shares whether or not such event shall have happened.

Events of Default

Any one of the following events will constitute an event of default under the Indenture:

- failure to pay any interest on any debt security of that series when due, continued for 30 days;

- failure to pay principal of or any premium on any debt security of that series when due;

- failure to deposit any sinking fund payment, when due, in respect of any debt security of that series;

- failure to perform, or breach of, any other covenant or warranty in the Indenture, other than a covenant included in the Indenture solely for the benefit of a series of debt securities other than that series, continued for 90 days after written notice as provided in the Indenture;

- certain events involving our bankruptcy, insolvency or reorganization; or

- any other event of default provided with respect to debt securities of that series.

If any event of default occurs and continues, either the trustee or the holders of at least 25 percent in aggregate principal amount of the outstanding debt securities of that series may declare the principal amount of all the debt securities of that series or, if the debt securities of that series are original issue discount securities, the portion of the principal amount as may be specified in the terms of those debt securities, to be due and payable immediately by a notice in writing to us, and to the trustee if given by holders. The principal amount (or specified amount) will then be immediately due and payable. If an event of default occurs involving our bankruptcy, insolvency or reorganization, the principal amount of all outstanding securities under the Indenture will be due and payable immediately without any action on the part of the trustee or the holders. After acceleration, but before a judgment or decree based on acceleration has been obtained, the holders of a majority in aggregate principal amount of outstanding debt securities of that series may, under certain circumstances, rescind and annul the acceleration.

Subject to the duty of the trustee during default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless the holders offer the trustee reasonable indemnity. Generally, the holders of a majority in aggregate principal amount of the debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee.

A holder of the Notes will not have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy, unless:

- the holder has previously given to the trustee written notice of a continuing event of default;

- the holders of at least 25 percent in principal amount of the Notes of each affected series then outstanding (treated as separate classes) have made written request, and offered reasonable indemnity, to the trustee to institute such proceeding as trustee;

- the trustee shall not have received from the holders of a majority in aggregate principal amount of the Notes of each series affected (with all such series voting as a single class) a direction inconsistent with such request; and

- the trustee has not instituted proceedings within 60 days.

However, these limitations do not apply to a suit instituted by a holder for enforcement of payment of the principal of and premium, if any, or interest on their debt security on or after the respective due dates.

We are required to furnish to the trustee annually a statement as to our performance of certain obligations under the applicable Indenture and as to any default.

Governing Law

The Indenture and the Notes are governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made or instruments entered into and, in each case, performed in that state.

Exhibit 21

Subsidiaries of Argo Group International Holdings, Ltd.

Company Name	Country/State of Incorporation
The Argo Foundation	Bermuda
PXRE Capital Statutory Trust II	Connecticut
PXRE Captial Statutory Trust VI	Delaware
Argo International Holdings AG	Switzerland
Argonaut Services GmbH	Switzerland
Argo Re Ltd.	Bermuda
Argo Irish Holdings I Ltd.	Bermuda
Argo Irish Holdings II	Bermuda
Argo Re Escritório de Representação no Brasil Ltda.	Brazil
Affinibox Brasil Tecnologia Ltda.	Brazil
PXRE Reinsurance (Barbados), Ltd.	Barbados
ArgoGlobal Underwriting (Dubai) Limited	United Arab Emirates
Argo International Holdings Ltd	United Kingdom
Argo Underwriting Agency Ltd	United Kingdom
Argo Management Services Ltd	United Kingdom
Argo Managing Agency Ltd	United Kingdom
Argo Direct Ltd	United Kingdom
Argo (No 604), Ltd	United Kingdom
Argo (No 607), Ltd	United Kingdom
Argo (No 616), Ltd	United Kingdom
Argo (No 617), Ltd	United Kingdom
Argo (No 703), Ltd	United Kingdom
Argo (No 704), Ltd	United Kingdom
Argo (Alpha) Ltd	United Kingdom
Argo (Chi) Ltd	United Kingdom
Argo (Delta) Ltd	United Kingdom
Argo (Epsilon) Ltd	United Kingdom
Argo (Gamma) Ltd	United Kingdom
Argo (Eta) Ltd	United Kingdom
Argo (Zeta) Ltd	United Kingdom
Affinibox Holdings, Ltd.	United Kingdom
ArgoGlobal Underwriting Asia Pacific Pte Ltd.	Singapore
ArgoGlobal Services (Hong Kong) Limited	Hong Kong
ArgoGlobal Holdings (Malta) Ltd.	Malta
ArgoGlobal SE	Malta
Argo Financial Holding (Ireland) UC	Ireland
Argo Solutions, S.A.	Belgium
Argo Financial Holding (Brazil) DAC	Ireland
Argo Seguros Brasil, S.A.	Brazil
Argo Group US, Inc.	Delaware
Argonaut Group Statutory Trust	Connecticut
Argonaut Group Statutory Trust III	Delaware
Argonaut Group Statutory Trust IV	Delaware
Argonaut Group Statutory Trust V	Delaware
Argonaut Group Statutory Trust VI	Connecticut

Company Name	Country/State of Incorporation
Argonaut Group Statutory Trust VII	Delaware
Argonaut Group Statutory Trust VIII	Delaware
Argonaut Group Statutory Trust IX	Delaware
Argonaut Group Statutory Trust X	Delaware
Argonaut Management Services, Inc.	Delaware
Affinibox, Inc.	Texas
Alteris, Inc.	Delaware
Trident Insurance Services, LLC	Texas
Alteris Insurance Services, Inc.	Massachusetts
Argonaut Claims Management, LLC	Texas
Colony Insurance Company	Virginia
Colony Specialty Insurance Company	Ohio
Peleus Insurance Company	Virginia
Argonaut Insurance Company	Illinois
Argonaut-Midwest Insurance Company	Illinois
Argonaut-Southwest Insurance Company	Illinois
Argonaut Great Central Insurance Company	Illinois
Insight Insurance Services, Inc.	Illinois
Select Markets Insurance Company	Illinois
Argonaut Limited Risk Insurance Company	Illinois
Central Insurance Management, Inc.	Illinois
Grocers Insurance Agency, Inc.	Oregon
AGI Properties, Inc.	California
Rockwood Casualty Insurance Company	Pennsylvania
Somerset Casualty Insurance Company	Pennsylvania
ARIS Title Insurance Corporation	New York
ArgoGlobal Insurance Services, Inc.	Delaware
Ariel Re Property & Casualty	United Kingdom
Ariel Corporate Member Limited	United Kingdom
Ariel Re BDA Limited	Bermuda
ArgoGlobal Assicurazioni S.p.A	Italy

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements and in the related Prospectuses:

1. Registration Statement (Form S-8 File No. 333-147967) pertaining to Argo Group International Holdings, Ltd. 2007 Long-Term Incentive Plan and Argo Group International Holdings, Ltd. 2007 Employee Share Purchase Plan;

2. Registration Statement (Form S-8 File No. 333-147714) pertaining to the Argo Group International Holdings, Ltd. - Argonaut Group, Inc. Amended and Restated Stock Incentive Plan, the Argonaut Group, Inc. Non-Employee Director Stock Option Plan, and the Argonaut Deferred Compensation Plan for Non-Employee Directors;

3. Registration Statement (Form S-8 File No. 333-161299) pertaining to the Argo Group International Holdings, Ltd. 2007 Employee Share Purchase Plan (renamed the Argo Group International Holdings, Ltd. Employee Share Purchase Plan as amended and restated on May 3, 2016);

4. Registration Statement (Form S-8 File No. 333-195932) pertaining to the Argo Group International Holdings, Ltd. 2014 Long-Term Incentive Plan;

5. Registration Statement (Form S-8 File No. 333-232334) pertaining to the Argo Group International Holdings, Ltd. 2019 Omnibus Incentive Plan;

6. Registration Statement (Form S-3 File No. 333-161445) pertaining to the Argo Group International Holdings, Ltd. registration of senior debt securities, subordinated debt securities, common shares, preferred shares, warrants, units, depositary shares, purchase contracts, hybrid securities, trust preferred securities and guarantees of trust preferred securities;

7. Registration Statement (Form S-3 File No. 333-183957) pertaining to the Argo Group International Holdings, Ltd. registration of debt securities, common shares, preferred shares, warrants, units, depositary shares, purchase contracts, hybrid securities, trust preferred securities and guarantees of trust preferred securities and debt securities;

8. Registration Statement (Form S-3 File No. 333-207073) pertaining to the Argo Group International Holdings, Ltd. Registration of common shares, preferred shares, debt securities, warrants, units, depositary shares, purchase contracts, hybrid securities combining elements of the foregoing, trust preferred securities and guarantees of trust preferred securities and debt securities; and

9. Registration Statement (Form S-3 File No. 333-227478) pertaining to the Argo Group International Holdings, Ltd. Registration of common shares, preferred shares, debt securities, warrants, units, depositary shares, purchase contracts, hybrid securities combining elements of the foregoing, trust preferred securities and guarantees of trust preferred securities and debt securities;

of our reports dated February 28, 2020, with respect to the consolidated financial statements and schedules of Argo Group International Holdings, Ltd. and the effectiveness of internal control over financial reporting of Argo Group International Holdings, Ltd. included in this Annual Report (Form 10-K) for the year ended December 31, 2019.

San Antonio, Texas
February 28, 2020

Exhibit 31.1

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

I, Kevin J. Rehnberg, President and Chief Executive Officer of Argo Group International Holdings, Ltd., certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 28, 2020

/s/ Kevin J. Rehnberg

Kevin J. Rehnberg
President and Chief Executive Officer

Exhibit 31.2

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: February 28, 2020

/s/ Jay S. Bullock

Jay S. Bullock
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Argo Group International Holdings, Ltd. (the "Company") for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kevin J. Rehnberg, as President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

Certified this 28th day of February 2020

/s/ Kevin J. Rehnberg
Kevin J. Rehnberg
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Argo Group International Holdings, Ltd. (the "Company") for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jay S. Bullock, as Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

Certified this 28th day of February 2020

/s/ Jay S. Bullock

Jay S. Bullock
Executive Vice President and Chief Financial Officer