

# Financial Condition Report

DECEMBER 31, 2020



**ARGO**  
GROUP

**FINANCIAL CONDITION REPORT**  
**ARGO GROUP INTERNATIONAL HOLDINGS, LTD. (“ARGO GROUP”) AND ITS SUBSIDIARIES**  
**AND ARGO GROUP US, INC., WITH RESPECT TO NAIC DISCLOSURES**  
**Reporting Period ending December 31, 2020**

To the best of our knowledge and belief, this Financial Condition Report fairly represents the financial condition of Argo Group in all material respects.



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**By: Kevin J. Rehnberg**  
**President & Chief Executive Officer**



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**By: Alex Hindson**  
**Chief Risk & Sustainability Officer**

**Date:** May 31, 2021

**Argo Group International Holdings, Ltd.**  
**Financial Condition Report**  
**For the financial year ended December 31, 2020**

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**Additional Information:**

Refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 or our Definitive Proxy Statement filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed with the United States Securities and Exchange Commission, which can be found in the Investors section of Argo Group’s website at [www.argolimited.com](http://www.argolimited.com).

## Introduction

### Purpose

The purpose of this Financial Condition Report (“FCR” or “Report”) for Argo Group International Holdings, Ltd. (“Argo Group” or the “Company”) and its operating subsidiaries 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 Financial Condition Report is intended to be a stand-alone report, complete in itself, and to provide information to the public in relation to the Company’s business model, whereby the public may make an informed assessment on whether the business is run in a prudent manner. A copy of this Report is published on the Company’s website within a prescribed period after being filed with the Bermuda Monetary Authority (“BMA” or “Authority”).

### Argo Group’s approach to Risk & Solvency Assessment

Argo Group applies an Own Risk & Solvency Assessment (“ORSA”) process across its operations. The purpose of this process is to consider the organization’s solvency and capital needs on a forward-looking basis in the light of its assessment of the potential threats and opportunities facing the delivery of its multi-year business plan and strategy.

Argo Group Solvency Self-Assessments (“GSSA”) are predominantly compiled from existing and previously approved business materials such as the quarterly ORSA risk reports, business plan, capital modeling output and other risk management framework documentation.

The process identifies and analyzes material risks and compares these to agreed risk tolerances to determine where management action, such as mitigation, may be required. The process also considers a range of stress tests, as well as capital evaluations using a range of models to consider the impact of severe events on capital adequacy and liquidity.

As a result of these studies, Argo Group’s Senior Management is able to consider contingency plans and response plans to allow the organization to continue to meet its strategic objectives under extreme conditions.

The risk reporting within Argo Group is based upon a group-wide cycle with regular reporting to various risk committees of the Company. In practice this means that each risk committee agrees upon certain actions, which are tracked through their completion.

### Scope

This FCR provides an overview of the Business and Performance, Governance Structure, Risk Profile, Solvency Valuation, and Capital Management of Argo Group and its subsidiaries, which structure is detailed in [Appendix A – Organizational Chart](#). This Report incorporates the FCR for Argo Re Ltd. (“Argo Re”) based on modifications granted by the BMA allowing those requirements to be incorporated into a single report for the year ending 2020 (“YE2020” or “Reporting Period”). Information provided in this report is based on data presented and policies, practices and procedures implemented, during the reporting period, unless otherwise stated. Argo Group has chosen to incorporate into this Report the information that is required for Argo Group US, Inc. (“Argo Group US” or “AGUS”) to submit under the National Association of Insurance Commissioners (“NAIC”) Corporate Governance Annual Disclosure (“CGAD”) requirements as a result of the passing of the CGAD Model Act.

**[Appendix E](#) – NAIC Corporate Governance Requirements and Disclosure attached herein is intended to provide information as to AGUS’ compliance with the applicable CGAD requirements.**

Should a significant event occur after the filing date of this Financial Condition Report, a Subsequent Event report will be submitted to the BMA within 14 days of the occurrence of the event and a copy of that report will be published on the Company’s website within 30 days from the date of submission to the Authority in accordance with the requirements per the Insurance (Public Disclosure) Rules 2015, or by such other date as agreed to by the Authority.

## **Part 1 Business and Performance**

### **a. Name of Insurance Group**

Insurance Group: Argo Group International Holdings, Ltd.  
Designated Insurer: Argo Re, Ltd. (“Argo Re”)

### **b. Name and Contact Details of the Group Supervisor**

The BMA acts as insurance supervisor for Argo Re and Group supervisor for Argo Group. The contact details for the BMA are as follows:

Bermuda Monetary Authority  
BMA House  
43 Victoria Street  
Hamilton HM 12  
BERMUDA  
Tel: +1 441 295 5278  
Email: enquiries@bma.bm

### **c. Name and Contact Details of the Approved Group Auditor**

Ernst & Young is the Company’s independent registered public accounting firm.

Contact details for Ernst & Young are as follows:

Ernst & Young LLP  
111 W. Houston, Suite 1901  
San Antonio, TX 78205  
USA

Ernst & Young Ltd  
3 Bermudiana Road  
Hamilton HM 08  
BERMUDA

#### d. Ownership Details

Argo Group, a Bermuda domiciled holding company, is the parent company for the Argo Group of companies consisting of regulated and non-regulated entities. Argo Re, is a wholly owned subsidiary of Argo Group.

Argo Group common stock trades on the New York Stock Exchange (“NYSE”) under the symbol “ARGO”. The following table sets forth certain information regarding the beneficial ownership of the Company’s Common Shares of each person known to Argo Group to beneficially own more than 5% of the Common Shares as of March 15, 2021. Unless otherwise noted in the footnotes following the table, the information for each of these beneficial owners is based solely on information as of December 31, 2020 reported on a Schedule 13G or Schedule 13D, as applicable, filed by such owner with the U.S. Securities and Exchange Commission (“SEC”).

Name and Address of Beneficial Owner	Common Shares	
	Number of Shares Beneficially Owned	Percent of Class
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	3,039,016 <sup>(1)</sup>	8.76%
Voce Capital Management LLC 600 Montgomery Street, Suite 4400 San Francisco, CA 94111	3,021,595 <sup>(4)</sup>	8.71%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	2,402,918 <sup>(2)</sup>	6.92%
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, TX 78746	2,243,160 <sup>(3)</sup>	6.46%
Champlain Investment Partners, LLC 180 Battery St. Burlington, Vermont 05401	2,006,523 <sup>(5)</sup>	5.78%

- (1) The Vanguard Group, Inc.’s Schedule 13G/A was filed with the SEC on February 10, 2021, and provides that The Vanguard Group, Inc. and certain subsidiaries have sole dispositive power over 2,978,544 Common Shares, shared dispositive power over 60,472 Common Shares, and shared voting power over 33,403 Common Shares.
- (2) The BlackRock, Inc. Schedule 13G/A was filed with the SEC on January 29, 2021, and provides that BlackRock, Inc. has sole voting power over 2,342,222 Common Shares and sole dispositive power with respect to 2,402,918 Common Shares.
- (3) The Dimensional Fund Advisors LP Schedule 13G/A was filed with the SEC on February 12, 2021 and provides that Dimensional Fund Advisors has sole voting power with respect to 2,186,830 Common Shares and sole dispositive power with respect to 2,243,160 Common Shares. Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the “Funds”). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment adviser, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, “Dimensional”) may possess voting and/or investment power over the securities of the Issuer that are owned by the Funds and may be deemed to be the beneficial owner of the shares of Argo Group held by the Funds. However, all securities reported in the Schedule 13G/A are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.



- (4) Voce Capital Management LLC, Voce Capital LLC and J. Daniel Plants jointly filed a Schedule 13D/A with the SEC on April 17, 2021 and reported shared voting and dispositive power with respect to 3,021,595 shares.
- (5) The Champlain Investment Partners, LLC Schedule 13G was filed with the SEC on February 12, 2021, and provides that Champlain Investment Partners, LLC has sole voting power over 1,545,378 Common Shares and sole dispositive power with respect to 2,006,523 Common Shares.

The following table sets forth certain information regarding the beneficial ownership of the Common Shares as of the March 15, 2021, unless otherwise indicated, of (i) each director of Argo Group, (ii) each individual who has been identified as a named executive officer (“Named Executive Officer”) of Argo Group or its subsidiaries, and (iii) all directors and individuals who have been identified as executive officers of Argo Group as a group:

Name of Beneficial Owner	Number of Common Shares Beneficially Owned (1) (2)	Percent of Class(1)
<i>Directors</i>		
Bernard C. Bailey	5,230	*
Thomas A. Bradley	17,636	*
Fred R. Donner	3,555	*
Anthony P. Latham	4,022	*
Dymphna A. Lehane	6,256	*
Samuel G. Liss	11,427	*
Carol A. McFate	5,148	*
Kathleen A. Nealon	20,199	*
Al-Noor Ramji	6,256	*
Kevin J. Rehnberg (3)	42,403	*
John H. Tonelli	22,216	*
<i>Named Executive Officers</i>		
Jay S. Bullock (4)	152,058	*
Timothy D. Carter	5,289	*
Matthew J. Harris	3,051	*
Allison D. Kiene	0	*
Axel Schmidt (5)	32,779	*
Total (a)	355,809	1%

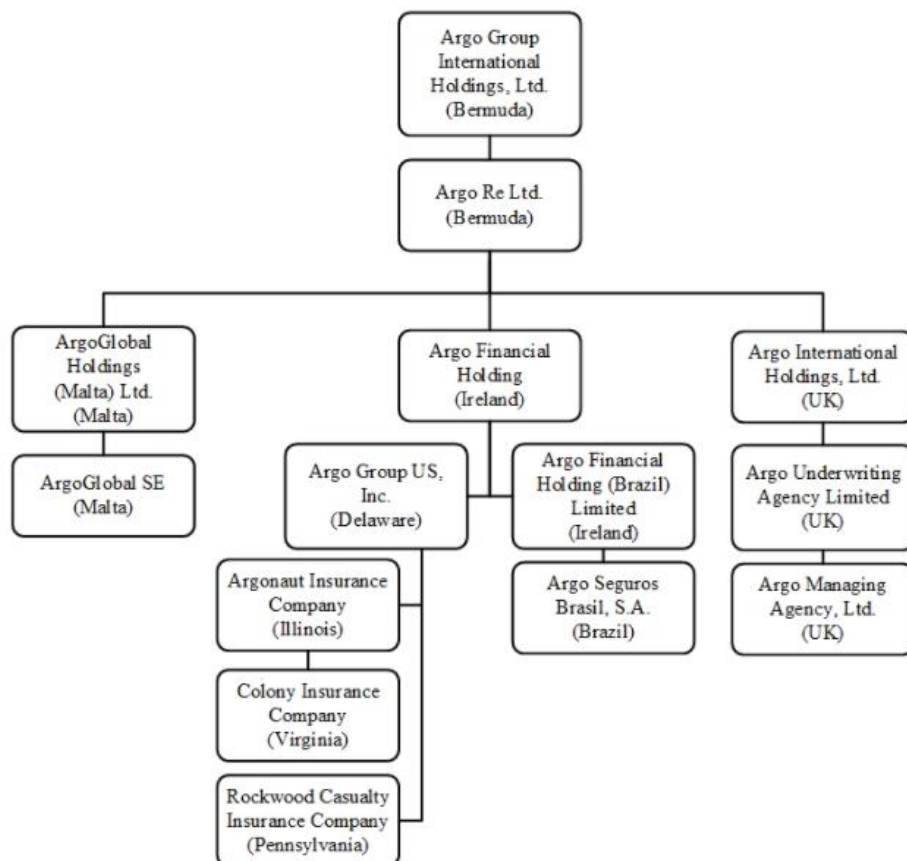
(a) All directors and individuals identified as executive officers of Argo Group and its subsidiaries as a group - 18 persons)

\* Less than 1% of the outstanding Common Shares

- (1) The information in this table is based on information supplied directly to Argo Group by executive officers and directors. Shares beneficially owned by a person include shares to which the person has the right to acquire beneficial ownership within 60 days of the March 15, 2021. Unless otherwise indicated in the footnotes below, the persons and entities named in this table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.
- (2) Includes the following restricted shares that will vest within 60 days after March 15, 2021: Mr. Rehnberg – 9,615; Mr. Bullock – 4,620; Mr. Harris – 1,914; Mr. Schmidt – 3,393; other executive officers – 4,035; all non-employee directors – 2,805. For Mr. Bullock, also includes 28,672 stock appreciation rights that are vested and exercisable within 60 days after March 15, 2021.
- (3) Mr. Rehnberg is also a Named Executive Officer.
- (4) Mr. Bullock was succeeded by Scott Kirk on March 16, 2021
- (5) In a Current Report on Form 8-K filed on June 15, 2020, Argo Group announced that Axel Schmidt, the former Chief Underwriting Officer of the Company, stepped down from this role.

## e. Group Structure

The following is a summary organizational chart of Argo Group of companies as of December 31, 2020.



For a complete organizational chart of Argo Group companies please refer to [Appendix A- Organization Chart](#).

## f. Insurance Business Written by Segment and Geographical Region

Argo Group, a Bermuda-based holding company, is an underwriter of specialty insurance products in the property and casualty market with a focus on United States (“U.S.”) domiciled risks. 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.

For the year ended December 31, 2020, our operations included two primary reportable segments - U.S. Operations and International Operations. Our reportable segments include four primary insurance services and offerings as follows:

**Property** includes both property insurance and reinsurance products. Insurance products cover commercial properties primarily in North America with some international covers. Reinsurance covers underlying exposures located

throughout the world, including the United States. These offerings include coverages for man-made and natural disasters. Effective with the sale of our reinsurance business in the fourth quarter of 2020, we do not anticipate writing significant new reinsurance business going forward.

**Liability** includes a broad range of primary and excess casualty products primarily underwritten as insurance and, to a lesser extent reinsurance, for risks on both an admitted and non-admitted basis in the United States. Internationally, Argo Group underwrites non-U.S. casualty risks primarily exposed in the U.K., Canada, and Australia.

**Professional** includes various professional lines products including errors & omissions and management liability coverages (including directors and officers).

**Specialty** includes niche insurance coverages including marine & energy, accident & health and surety product offering.

The table below presents gross written premium (“GWP”) and net written premium (“NWP”) for the year ending December 31, 2020 by geographical region for Argo Group, in accordance with accounting principles generally accepted in the United States (“GAAP”), and Argo Re, in line with statutory accounting principles as set forth by NAIC. For this disclosure, we determine geographical region by country of the domicile of our operating subsidiaries that underwrite the business and not by the location of our insureds.

Argo Group by reportable segment	GWP (\$, MM)	NWP (\$, MM)	Geographical Region
U.S. Operations	1,994.8	1223.0	U.S.
International Operations	1,238.0	585.8	Bermuda, U.K., Brazil, Malta, Italy
Total	3,233.3	1809.3	ALL

Unconsolidated Bermuda-based entities	GWP (\$, MM)	NWP (\$, MM)	Geographical Region
Argo Re Ltd.	536.7	118.1	Bermuda

**g. Performance of Investments, by asset class and details on material income and expenses incurred during the reporting period**

A significant portion of the Company’s investments comprise equities and high investment grade securities. The Company covers its technical provisions with investment grade fixed income securities. The balance of the portfolio is invested in a capital appreciation portfolio to maximize returns while preserving sufficient capital to take advantage of growth opportunities.

The following table presents the fair value and return on investment assets (“Return”) for Argo Group YE2020 – net of expenses, inclusive of trade capital from Syndicate 1200 and Syndicate 1910 and in accordance with GAAP principles.

For comparison, YE2019 data is shown as well.

**Argo Group YE2020 – Consolidated** (amounts are in millions of dollars unless otherwise noted)

Invested Asset	Total Investment Return YE2019	Market value of Investments YE2019	Total Investment Return (%) YE2019	Total Investment Return YE2020	Market value of Investments YE2020	Total Investment Return (%) YE2020
<b>U.S. Government</b>	35.2	727.7	4.8%	39.9	852.3	4.7%
<b>Non-U.S. Government</b>	19.3	277.1	7.0%	11.9	319.3	3.7%
<b>States, Municipalities, and Political Subdivision</b>	12.3	152.6	8.1%	5.0	170.5	2.9%
<b>Corporate Securities</b>	-	-	-	-	-	-
<b>(a) U.S. Government-backed Corporate</b>	-	-	0.0%	-	-	0.0%
<b>(b) Non-U.S. Government-backed Corporate</b>	(0.6)	2.9	-20.0%	(0.0)	0.7	-2.2%
<b>(c) FDIC Guaranteed Corporate</b>	-	-	0.0%	-	-	0.0%
<b>(d) Other Corporate</b>	107.2	1,563.6	6.9%	95.3	1,902.5	5.0%
<b>Asset-backed Securities</b>	17.9	391.0	4.6%	3.2	413.3	0.8%
<b>Mortgage-backed Securities</b>	-	-	-	-	-	-
<b>(a) Residential Subprime</b>	0.6	0.9	70.7%	(0.2)	2.7	-8.1%
<b>(b) Residential Non-subprime</b>	5.8	115.1	5.0%	2.0	52.1	3.8%
<b>(c) Commercial</b>	10.1	217.0	4.7%	18.9	339.7	5.6%
<b>Mutual Funds</b>	-	-	0.0%	-	-	0.0%
<b>Bank Loans</b>	11.6	185.5	6.2%	(0.8)	160.4	-0.5%
<b>Catastrophe Bonds and Insurance-Linked Securities</b>	-	-	0.0%	-	-	0.0%
<b>Others (Equity &amp; Alternative)</b>	139.1	1,465.9	9.5%	37.2	1,042.3	3.6%
<b>TOTAL PORTFOLIO</b>	<b>358.5</b>	<b>5,099.4</b>	<b>7.0%</b>	<b>212.4</b>	<b>5,255.8</b>	<b>4.0%</b>

The following table presents the fair value and return on investment assets for Argo Re YE2020 – net of expenses, exclusive of investment income associated with affiliated investment and in accordance with GAAP principles. For comparison, YE2019 data is shown as well.

**Argo Re YE2020 – Unconsolidated** (amounts are in millions of dollars unless otherwise noted)

Invested Asset	Total Investment Return YE2019	Market value of Investments YE2019	Total Investment Return (%) YE2019	Total Investment Return YE2020	Market value of Investments YE2020	Total Investment Return (%) YE2020
<b>U.S. Government</b>	5.0	108.5	4.6%	7.1	150.0	4.7%
<b>Non-U.S. Government</b>	1.4	19.9	7.0%	0.7	14.0	5.2%
<b>States, Municipalities, and Political Subdivision</b>	-	-	0.0%	-	-	0.0%
<b>Corporate Securities</b>	-	-	-	-	-	-
<b>(a) U.S. Government-backed Corporate</b>	-	-	0.0%	-	-	0.0%
<b>(b) Non-U.S. Government-backed Corporate</b>	0.0	-	0.0%	-	-	0.0%
<b>(c) FDIC Guaranteed Corporate</b>	-	-	0.0%	-	-	0.0%
<b>(d) Other Corporate</b>	9.8	254.0	3.9%	8.5	257.6	3.3%
<b>Asset-backed Securities</b>	1.8	36.7	4.9%	0.3	20.5	1.4%
<b>Mortgage-backed Securities</b>	-	-	-	-	-	-
<b>(a) Residential Subprime</b>	0.0	-	0.0%	0.0	-	0.0%
<b>(b) Residential Non-subprime</b>	0.7	13.3	5.1%	0.2	4.2	4.1%
<b>(c) Commercial</b>	1.0	38.4	2.6%	3.1	48.5	6.4%
<b>Mutual Funds</b>	-	-	0.0%	-	-	0.0%
<b>Bank Loans</b>	4.6	59.6	7.7%	0.7	31.2	2.2%
<b>Catastrophe Bonds and Insurance-Linked Securities</b>	-	-	0.0%	-	-	0.0%
<b>Others (Equity &amp; Alternative)</b>	33.9	221.9	15.3%	(5.7)	211.3	-2.7%
<b>TOTAL PORTFOLIO</b>	<b>58.3</b>	<b>752.3</b>	<b>7.7%</b>	<b>14.9</b>	<b>737.3</b>	<b>2.0%</b>

## **Details on material income and expenses incurred:**

For Argo Group and Argo Re (on consolidated GAAP basis), fixed maturity interest \$108.6 million, equity securities dividends \$2.8 million, income on alternative investments \$10.4 million, income on short-term and other investments \$3.9 million and \$13 million in investment expenses. Net investment income \$112.7 million.

### **h. Any Other Material Information**

#### Credit Rating Agency Action

On February 26, 2020, A.M. Best Company (“A.M. Best”) downgraded the Company’s financial strength rating 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. AM Best downgraded the Long-Term ICR to “bbb-“ from “bbb” of Argo Group and Argo Group US, Inc. The outlook assigned to all these ratings by A.M. Best is negative.

Subsequent to year-end, on March 12, 2021, A.M. Best revised Argo Group’s outlook to stable from negative and affirmed the Financial Strength Rating of “A-” (Excellent) and the Long-Term Issuer Credit Ratings (“Long-Term ICR”) of “a-” of Argo Re Ltd. and its subsidiaries, with the exception of Argo Seguros (which is not rated). A.M. Best also revised the outlooks to stable from negative and affirmed the Long-Term ICR of “bbb-” and the Long-Term Issue Credit Ratings (Long-Term IR) of the parent, Argo Group International Holdings, Ltd. Additionally, A.M. Best revised the outlooks to stable from negative and affirmed the Long-Term ICR of “bbb-” and the Long-Term IR of Argo Group US, Inc.

On July 8, 2020, S&P Global Ratings assigned its ‘BBB-’ long-term issuer credit rating to Argo Group International Holdings, Ltd. S&P also assigned its ‘BB’ issue-level rating to Argo Group’s series A fixed-rate reset non-cumulative perpetual preferred shares. The outlook is negative.

#### Impact of COVID-19

The global COVID-19 pandemic has resulted in and is expected to continue to result in significant disruptions in economic activity and financial markets. COVID-19 has directly and indirectly adversely affected the Company and may continue to do so for an uncertain period of time. Beginning in March 2020, the pandemic and related economic conditions began to impact our results of operations. For the year ended December 31, 2020, our underwriting results included net pre-tax catastrophe losses of \$73.2 million associated with COVID-19 and related economic conditions, primarily resulting from contingency and property exposures in the Company’s International Operations and property exposures in its U.S. Operations. Property losses relate to sub-limited affirmative business interruption coverage, primarily in certain International markets, as well as expected costs associated with claims handling. Premium levels in certain lines in both our U.S. and International Operations reporting segments has been negatively impacted by the challenges of the economic slowdown. Conversely, our current accident year non-catastrophe loss results saw reduced claim activity during the year ended December 31, 2020 due, in part, to the impact of the COVID-19 pandemic. Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during the year ended December 31, 2020. The extent to which COVID-19 will continue to impact our business will depend on future developments that cannot be predicted.

In March 2020, we transitioned predominantly all of our employees to a remote working environment, leveraging our investments over the last several years in business contingency planning and digital solutions. This has allowed Argo Group and its business functions to operate successfully from the onset of the COVID-19 pandemic through the date of this filing. We are committed to serving the needs of our employees, customers, business partners and shareholders and have developed a COVID-19 response team to monitor our efforts around safeguarding our people, supporting our front office and business operations, understanding and managing our loss exposures and other risks associated with COVID-19. We also consistently seek to keep our employees, customers, business partners and shareholders informed.

#### Preferred Stock Offering

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

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

## Part 2 Governance Structure

The governance structure of Argo Group begins with the Board of Directors (the "Board of Directors" or "Board"). The Board has adopted a set of Corporate Governance Guidelines and Terms of Reference to assist in the exercise of its responsibilities. The Board of Directors, its committees and the senior executives of Argo Group have incorporated various levels of governance and reviews to ensure that our Enterprise Risk Management ("ERM") framework and best practices are implemented properly to meet the Company's various regulatory and corporate requirements.

### a. Board and Senior Executive

#### i. Board and Senior Executive Structure, Role, Responsibilities and Segregation of Responsibilities

Argo Group International Holdings, Ltd. Directors (as at May 28, 2021):

<u>Name</u>	<u>Executive or Non-Executive</u>	<u>Independent</u>
Bernard Bailey	Non-Executive	YES
Thomas A. Bradley	Non-Executive	YES
Frederick Donner	Non-Executive	YES
Anthony Latham	Non-Executive	YES
Dymphna Lehane	Non-Executive	YES
Samuel Liss	Non-Executive	YES
Carol McFate	Non-Executive	YES
Al-Noor Ramji	Non-Executive	YES
Kevin J. Rehnberg	Executive	NO

Following the 2020 Annual General Meeting, five directors retired from the Board — Sedgwick Browne, Hector De Leon, Mural R. Josephson, John R. Power, Jr. and Gary V. Woods. The Board appointed Ms. McFate as director on February 7, 2020, and shareholders elected Messrs. Bailey, Donner and Rehnberg to the Board at the 2020 Annual General Meeting. On May 6, 2021, Kathleen A. Nealon and John H. Tonelli retired from the Board immediately following the Company's 2021 Annual General Meeting. The size of the Argo Group Board is currently set at nine directors.

Argo Group International Holdings, Ltd. Officers (as at May 28, 2021)

<u>Name</u>	<u>Title</u>
Kevin J. Rehnberg	President & Chief Executive Officer
Scott Kirk	Chief Financial Officer
Andrew Borst	Chief Administrative Officer
Timothy Carter	Chief Underwriting Officer
Matthew J. Harris	Group Head of International Operations
Allison D. Kiene	SVP, General Counsel
Tony Cicio	Chief Human Resources Officer
Kara Payne	Chief Accounting Officer
Robert Katzman	SVP & Chief Actuary
Alex Hindson	Chief Risk and Sustainability Officer
Mark Wade	Chief Claims Officer
Mark Rose	SVP & Chief Investment Officer
Brett Shirreffs	VP, Investor Relations
Conyers Corporate Services (Bermuda) Limited	Assistant Secretary
Dianna Mitchell	Assistant Secretary



On March 16, 2021, Scott Kirk succeeded Jay Bullock as Chief Financial Officer. Other officer departures include: Oscar Guerrero, SVP, Deputy Chief Financial Officer (March 31, 2020) and Craig S. Comeaux, Secretary (May 17, 2021).

Argo Re Ltd. Board of Directors (as at May 28, 2021)

<b><u>Name</u></b>	<b><u>Executive or Non-Executive</u></b>	<b><u>Independent</u></b>
William Chen	Executive	NO
Susan Comparato	Executive	NO
Allison D. Kiene	Executive	NO
Scott Kirk	Executive	NO
William Wharton	Executive	NO
Sherron Williams	Executive	NO

In June 2020, Ryan Mather and Mathew Wilken resigned from the Argo Re Board. In September 2020, the Argo Board was reconstituted and Darren Argyle, William Chen, Matthew Harris, William Wharton and Kathryn Sara Partington Howarth were (re)appointed to the Argo Re Board. In February 2021, Ms. Partington Howarth resigned from the Argo Re Board and in April 2021, Ms. Comparato, Ms. Kiene, Ms. Williams and Mr. Kirk were appointed to Argo Re’s Board of Directors succeeding Darren Argyle and Matthew Harris. The size of the Argo Re Board is currently set at six directors.

Argo Re Ltd. Officers (as at May 28, 2021)

<b><u>Name</u></b>	<b><u>Title</u></b>
William Wharton	Head of Argo Insurance Bermuda Principal Representative
Darren Argyle	Chief Financial Officer
Timothy Carter	Chief Underwriting Officer
Ronald Swanstrom	Chief Actuary Loss Reserve Specialist
Allison D. Kiene	Assistant Secretary
Alex Hindson	Chief Risk and Sustainability Officer
Conyers Corporate Services (Bermuda) Limited	Secretary
Ronisa deFontes	Assistant Secretary

Board Leadership Structure

The Board has chosen to separate the position of Chief Executive Officer (“CEO”) from the position of Board Chairman. The Company believes that this separation of positions is an appropriate structure that provides both support and balance for management and overall risk oversight for the Company because it creates a lead director that is independent from management. Separating these positions allows our Chief Executive Officer to focus on developing and implementing the Company’s business plans and supervising the Company’s day-to-day business operations, and allows our Board Chairman to lead the Board in its oversight, advisory, and risk management roles.

Argo Group Board Diversity and Argo Group Board Performance Evaluation

Argo Group’s Board of Directors reflects a diverse array of experiences, skills and backgrounds. Each director is individually qualified to make unique and substantial contributions. This diverse skillset is enhanced by both the fresh perspectives brought by our newer directors, as well as the industry and Company-specific expertise of our longer-tenured directors, who have the experience of guiding our Company through the extended business cycles faced by the insurance industry.

The Argo Group Board of Directors and each of its committees conduct an annual self-evaluation to determine their effectiveness. The reviews focus on the performance of the Argo Group Board of Directors as a whole and the

performance of each committee. The process considers the measures taken to improve performance including board or committee training programs. The Nominating and Corporate Governance Committee is responsible for establishing the evaluation criteria and implementation of the evaluation process and specifically considers the breadth and depth of experience of the board members in its evaluation.

#### Director Independence

The Board has determined that each of its directors except Kevin J. Rehnberg, the President and Chief Executive Officer of Argo Group, is “independent” in accordance with the applicable corporate governance requirements of the listing rules of the New York Stock Exchange as currently in effect.

#### Director Election, Term Limits and Retirement

With effect from April 16, 2020, each director serves an annual term ending on the date of the next Annual General Meeting following the Annual General Meeting at which such director was elected, and until his or her successor shall have been duly elected and qualified.

The Company does not apply term limits to the Board directorships. The Argo Group Board does not believe that term limits for service as a director are in the best interest of the shareholders. As an alternative to term limits, the Nominating and Corporate Governance Committee of the Board annually reviews each director’s eligibility, fitness and propriety prior to recommending any director for re- election to the Board.

The Argo Group Board does not believe a requirement to mandate director retirement by a certain age would serve the best interests of the shareholders. Therefore, there is no mandatory retirement age for directors.

#### Board Oversight

The Board of Directors maintains robust Corporate Governance Guidelines that reflect local and international developments.

The Board, by itself or through its committees:

- Reviews and approves appropriate strategies, policies and business plans for the Company based on the recommendations of the CEO and senior executives (“Senior Management”) and monitors the Company’s performance against such plans;
- Provides oversight for the Company’s framework for risk management and systems of internal control over financial reporting and disclosure;
- Establishes corporate governance standards for the Company, including the Company’s Code of Conduct and Business Ethics (the “Code of Conduct”) as well as other policies and procedural guidelines, which support and give effect to same;
- Provides oversight and evaluates performance and compensation for Senior Management;
- Establishes effective succession plans for Senior Management;
- Establishes and enforces standards for director qualification and for prompt disclosure, as required by applicable law or regulation, of any waivers granted to directors; and
- Monitors and provides oversight regarding the Company’s adherence to the policies and procedural guidelines established for the following functions and operational areas: Data Privacy and Information Security, Investments, Internal Audit, Compliance, Outsourcing, Actuarial and Underwriting.

The Argo Group Directors, as soon as may be the case after each appointment or election of Directors, elect the Officers of the Company and a Chairman of the Argo Group Board.

#### Board Meetings

The Chairman of the Argo Group Board acts as chairman at all meetings of the members and of the Directors at which he is present. In the absence of the Chairman, a chairperson is appointed or elected by those present at the meeting.

The Chairman of the Argo Group Board sets the agenda for the Board meetings with the understanding that certain items necessary for appropriate Board oversight, such as annual budgets and long-range plans, must appear periodically on the agenda. Board members may suggest that particular items be placed on the agenda. Similarly, committee chairs set the agenda for their respective committee meeting.

The Board receives regular reports on the Company’s business performance and strategic plans from the Chief Executive Officer, Chief Financial Officer and other Senior Managers.

Minutes of each Board and committee meeting are maintained in the appropriate Company books/records.

#### Executive Sessions of Independent Directors

In order to promote open discussion among the independent directors, the Board schedules regular executive sessions in which those directors meet without management participation. During 2020, the independent directors met in executive session four times. The Chairman of the Board presides over executive sessions. In addition, each Committee of the Board of Directors meets in executive session without management participation during regularly scheduled committee meetings.

#### Board Committees

The standing committees of the Board are the Audit Committee, the Human Resources Committee, the Investment Committee, the Nominating and Corporate Governance Committee and the Risk & Capital Committee. The Board has adopted written charters for each committee that specifies the scope of each committee’s responsibilities. Each committee charter is available on the Company’s website at [www.argolimited.com](http://www.argolimited.com) under the “Investors” tab and then the “Governance” tab.

Board Committee Assignments are as follows (as at May 28, 2021):

<b>Committee Composition</b>					
<b>Director</b>	<b>Audit</b>	<b>Human Resources</b>	<b>Investment</b>	<b>Nominating and Corporate Governance</b>	<b>Risk &amp; Capital</b>
<b>Bernard C. Bailey</b>	✓	✓		✓	
<b>Thomas A. Bradley</b>	✓(FE)	✓			
<b>Fred R. Donner</b>	✓(C)(FE)				✓
<b>Anthony P. Latham</b>				✓	✓
<b>Dymphna A. Lehane</b>		✓(C)			✓
<b>Samuel G. Liss</b>		✓	✓	✓(C)	
<b>Carol A. McFate</b>	✓		✓(C)		
<b>Al-Noor Ramji</b>			✓		✓(C)
<b>Kevin J. Rehnberg*</b>					

(C) – Committee Chair, (FE) – Audit Committee Financial Expert

\* Beginning immediately following Argo Group’s Annual General Meeting held on May 6, 2021, all Board Committees are fully independent. For prior Committee assignments please refer to [Appendix B – Directors and Senior Managers](#).

#### Audit Committee

Each member of the Audit Committee is “independent” and meets the other requirements for audit committee membership as defined by applicable NYSE listing rules and SEC rules for audit committee members. Messrs. Bradley and Donner are qualified as “audit committee financial experts” within the meaning of applicable SEC rules and regulations governing the composition of the Audit Committee.

The Audit Committee assists the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications and independence of the independent registered public accounting firm, and (iv) the performance of the Company's internal auditing department and the independent registered public accounting firm. Its primary responsibilities, among other items, include (a) reviewing and discussing with management and the outside audit firm the quarterly and annual financial results and other financial information of the Company, (b) the appointment, replacement, compensation and oversight of independent auditors, (c) reviewing all recommendations by the auditors with respect to accounting methods and internal controls of the Company, (d) the review and advance approval of audit and non-audit services provided by the auditors, (e) oversight of the effectiveness of the Company's internal audit function, (f) otherwise providing oversight for the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company, (g) providing oversight of the Company's compliance with legal and regulatory requirements, and (h) the review, approval or ratification of all related party transactions. In addition, the Committee establishes procedures for complaints relating to accounting, internal accounting controls or auditing matters as well as procedures for confidential, anonymous submission by Company employees of any concerns regarding questionable accounting or auditing matters.

In recommending an independent registered public accounting firm for the Company, the Audit Committee annually considers the firm's independence, the performance and integrity of the independent auditors, the experience and qualifications of the lead audit partner, the results of the firm's internal quality control procedures and review, the geographic scope of their practice as compared to the Company's geographic scope, their insurance industry expertise, the appropriateness of their fees, the Public Company Accounting Oversight Board reports on the firm and its peers, and other factors deemed appropriate.

At least quarterly, the Audit Committee receives management reports on internal audit, internal controls, actuarial matters and regular compliance reports regarding the status of the organization's compliance with laws, rules and regulations, including compliance with the Company's Code of Conduct

#### Human Resources Committee

Each member of the Human Resources Committee is "independent" in accordance with the applicable corporate governance requirements of the listing rules of NYSE as currently in effect. Each member of the Human Resources Committee also qualifies as a "non-employee director" under Section 16 of the Exchange Act. The Human Resources Committee's responsibilities include, among other items, (a) overseeing the compensation of the Company's executive officers and directors, (b) reviewing and discussing with the Company's management the Compensation Discussion and Analysis contained in the Company's proxy statement, (c) producing an annual report on executive compensation for inclusion in the Company's proxy statement, (d) overseeing and advising the Board on the adoption of plans and policies that govern the Company's compensation programs, (e) reviewing management's succession plans for the Company's Chief Executive Officer and other primary executive officers, and (f) determining and monitoring stock ownership guidelines. At least quarterly, the Human Resources Committee receives management reports on talent management activities.

#### Investment Committee

The Investment Committee assists the Board in the oversight of the Company's key investment objectives, strategies and policies. The Committee's responsibilities include, among other items, (a) approval of the Company's Investment Policy including the investment guidelines and asset allocation ranges set forth therein, (b) oversight of the Company's investment transactions and its outside investment managers to determine whether such investment transactions are in accordance with the Company's Investment Policy, (c) ensuring that appropriate selection criteria are developed to identify and select the Company's outside investment managers and periodically reviewing the performance of the Company's outside investment managers, (d) oversight of management's administration of the Company's investment portfolio, including recommended strategic asset allocations and the performance of the portfolio under anticipated and stress test scenarios, and (e) approval of any Company derivative policy and review of management analysis and reports on potential hedging programs and derivative transactions. The Investment Committee reviews and approves investment transactions made by the Company and its outside investment managers.

Management reports at least quarterly on its administration and the performance of the Company's investment portfolio in compliance with the Company's Investment Policy.

#### Nominating and Corporate Governance Committee

Each member of the Nominating and Corporate Governance Committee is "independent" in accordance with the applicable director independence rules of NYSE as currently in effect. The purpose of the Nominating and Corporate Governance Committee is to (a) establish criteria for Board member selection and retention, (b) identify individuals qualified to become Board members, (c) review and recommend to the Board individuals to be nominated or re-nominated for election as directors, including nominees submitted by shareholders in accordance with the requirements of our Bye-Laws as well as the Shareholder Recommendation Procedure set forth in our Nominating and Corporate Governance Committee charter, or to fill vacancies on the Board, and (d) recommend directors for appointments to one or more of the Board's standing committees. The Committee is also charged with establishing evaluation criteria and an evaluation process applied by the Board and each Committee in its self-evaluation process.

While the Nominating and Corporate Governance Committee does not have a formal policy when considering the overall composition of the Board with regard to the consideration of diversity in identifying director nominees, the Nominating and Corporate Governance Committee seeks a diverse and appropriate balance of members who have the experience, qualifications, attributes and skills that are necessary to oversee a publicly traded, growth oriented, international insurance organization that operates in multiple jurisdictions.

#### Risk & Capital Committee

While the Board has the ultimate responsibility for overseeing and approving the Company's risk strategy, risk appetite and risk tolerance levels, the Risk & Capital Committee provides oversight of the Company's policies and procedures relating to compliance and risk management and also oversees the adequacy of the Company's capital as measured using our own economic capital model and against various regulatory and other requirements taking into account all risks to which the Company is exposed. Risk management is a collaborative effort of management, the Board and several functions within the Company that are focused on risk.

The Risk & Capital Committee receives reports on a regular basis on risk and capital management matters and oversees ERM processes, including the risk management framework and governance structure employed by management. The framework includes the definition of the categories of risk, standards in relation to each category and the approach to risk tolerances adopted by the Company.

#### Argo Group Officers

The officers of the Company are appointed by the Board from time to time. The officers have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Company's Board or another officer from time to time.

#### ii. Remuneration Policy

The Company's compensation program is designed to link pay to both business and individual performance and is intended to retain superior, productive employees and to attract new talent necessary to continue the Company's profitable growth.

The main objectives of our executive compensation program are to:

- Link pay to both Company and individual performance;
- Align an executive's goals with the Company's strategic goals and the interests of shareholders;
- Provide a competitive compensation program that allows the Company to attract and retain superior talent in the competitive specialty insurance marketplace in which it operates; and
- Appropriately manage risk.

The compensation program includes three main components - base salary, cash incentive awards and long-term incentive awards.

Annual incentive compensation is determined using individual target awards adjusted at year-end and based on factors related to both the Company's financial performance as well as individual achievement in order to determine the final amount of the award. Target awards are established at the beginning of the year along with financial and operational metric targets for the Company. At the end of the year, incentive awards are calculated based on the achievement of financial, operational and individual performance final results.

Long-term incentive compensation is determined by using target awards established at the beginning of the year. Executive awards are awarded as a mix of performance shares and time-based restricted stock. The performance share objectives and thresholds are set by the Human Resource Committee and are measured based on a 3-year performance period. The performance shares metrics are equally weighted 50/50 between tangible book value per share and return on common equity. Performance share payouts may range from 0% to 150% depending on the level of achievement by the end of the three-year performance period. The time-based restricted shares vest ratably over four years. Additional long-term Incentive awards may be awarded at non-Executive levels at the Human Resources Committee's discretion. These additional awards may be granted in the form of the time-based restricted stock or cash and typically vest ratably over four years.

The Company has in place a Compensation Clawback Policy requiring executives to repay or forfeit compensation awards if certain events occur. The Board's independent directors have full authority to make determinations under this Policy.

The Argo Group Board of Directors approves and adopts a compensation program for the Company's independent directors based upon a recommendation from the Human Resources Committee.

Members of Argo Re's Board of Directors are employees of the Company (or a subsidiary thereof) and do not receive additional compensation for their service as directors.

Details regarding Argo Group's remuneration policies and practices are included in the Compensation Discussion and Analysis section of our Definitive Proxy Statement filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed with the United States Securities and Exchange Commission, which can be found in the Investors section of Argo Group's website at [www.argolimited.com](http://www.argolimited.com).

### iii. Pension or Early Retirement Schemes for Members, Board and Senior Employees

Substantially all of our United States based employees are eligible to participate in our tax-qualified savings plan (the "Qualified Savings Plan"). This plan provides an opportunity for employees to save for retirement on both a tax-deferred and after-tax basis. Participants may contribute up to 75% of their base pay through tax-deferred and after-tax contributions up to the Internal Revenue Code ("IRC") limit on employee contributions. The Company matches 100% of the first 5% of each employee's bi-weekly contributions. Participants are vested on a five-year graded vesting schedule for employer matching contributions. In addition, we contribute 1% of base pay up to the IRC compensation limit. This contribution vests upon completing three years of service.

Our executives who are U.S. citizens are also eligible for a tax-deferred non-qualified defined contribution plan (the "Non-Qualified Savings Plan"). The Non-Qualified Savings Plan provides retirement benefits which would be payable under the Qualified Plan but for the limits imposed by the IRC. Our executive officers who are U.S. citizens may contribute up to 5% of their pay to the Non-Qualified Savings Plan after reaching the maximum allowable IRS contribution to the Qualified Plan. The participant's investment return is calculated as though the account was invested as designated by the individual from substantially the same funds that are available under the Qualified Savings Plan.

Our executives who are non-U.S. citizens are eligible to participate in defined contribution pension plans pursuant to the laws of the jurisdictions where they work and reside. The Company generally contributes 15% of a participant's base salary to these plans up to the limits permitted by applicable legislation.

iv. Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

In 2013, the Company's 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, the Company's former Chairman of our Board who served in such role until the 2020 Annual General Meeting, 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, 2020, approximately \$12 million of 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.

**b. Fitness and Proprietary Requirements**

i. Fit and Proper Process in assessing the Board and Senior Executive

Argo Group assesses the professional competence of its board members and senior executives (collectively defined herein as "Key Functionaries"), specifically focusing on their prior conduct and degree of skill and competence, by:

- Following a thorough and robust selection process;
- Completing a full and thorough screening of the successful candidate comprising various checks according to the level of the role;
- Ongoing monitoring of professional competence, inter alia, via a development focused annual appraisal process and periodic performance review discussions throughout the year and on an ongoing basis; and
- Implementing ongoing training and development to ensure fitness and propriety is maintained.

It is the Company's policy that Key Functionaries, at all times, comply with the following requirements:

- Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (i.e. they are fit to undertake their role); and
- They are of good repute and integrity (i.e. they are proper to undertake their role).

The Company's Chief Human Resources Officer ensures that the following processes and criteria are adhered to with respect to Key Functionaries and does so as required or appropriate in partnership with Argo Group's Board and/or Nominating and Corporate Governance Committee:

- Whether the person has relevant experience, sufficient skills, knowledge and soundness of judgment to properly undertake and fulfill the particular duties and responsibilities of his/her office.
- Consideration of the diligence with which an employee or officer is fulfilling or is likely to fulfill their duties and responsibilities.
- Whether the person has had experience or similar responsibilities previously, and their record in fulfilling them.
- Whether the person has appropriate qualifications and training, as applicable. As to soundness of judgment, Argo Group looks to, inter alia, the degree of balance, rationality and maturity demonstrated in the person's previous conduct and decision-taking.
- The probity of the person concerned.
- The person's reputation and character, whether the person has a criminal record, convictions for fraud or other dishonesty.
- Whether the person has contravened any provision of insurance, banking, investment or other legislation designed to protect members of the public against financial loss, due to dishonesty, incompetence or malpractice.

- Whether the person has been involved in any business practices appearing to be deceitful or oppressive or improper or which otherwise reflect discredit on his method of conducting business.
- A person’s record of compliance with various non-statutory codes insofar as they may be relevant to the registration criteria and to the interests of policyholders and potential policyholders.
- Whether the person has been censured or disqualified by professional or regulatory bodies, e.g. the Chartered Property Casualty Underwriters, Casualty Actuarial Society, The Institute of Chartered Accountants of Bermuda, or corresponding bodies in other jurisdictions.

ii. Board and Senior Executives Professional Qualifications, Skills and Expertise

A description of the professional qualifications, skills, and expertise of the Argo Board and Senior Managers is included in [Appendix B – Directors and Senior Managers](#).

**c. Risk Management and Solvency Self-Assessment**

i. Risk Management Process & Procedures to Identify, Measure, Manage, and Report on Risk Exposures

Argo Group Risk Management

Enterprise Risk Management is a company-wide process sponsored by Argo’s Board that identifies assesses, monitors, manages and reports risks that could materially influence Argo’s ability to deliver its strategic objectives. ERM is intended to be a business enabler that enhances the Company’s performance and shareholder value as well as a means of providing assurance to the Board and shareholders that various regulatory and legal requirements are met.

The Company considers the implementation of an effective risk management framework as a strategic imperative, not only to meet regulatory requirements such as those laid out in the Bermuda Monetary Authority’s Insurance (Group Supervision) Rules (“Group Rules”) for the Company and BMA’s Insurance Code of Conduct (“ICC”) (for Argo Re) and the regulations in countries in which the Company conducts business, but also to gain a competitive advantage by improving its understanding of its own risks and capital requirements for solvency on a per risk and an aggregated basis.

The Company’s vision for risk management is that – “Risk intelligence enables Argo to achieve its strategic objectives by taking appropriate risks and exploiting opportunities.”.

In support of this vision, the Company operates a Risk Management Framework which seeks to enhance:

- Risk Governance & Culture – to ensure clear accountabilities are defined and a risk aware culture is fostered in line with the Company’s Purpose and Values.;
- Risk Identification and Prioritization – to ensure current and emerging risks that could materially impact its financial resources, volatility of resources or the viability of its business model are understood and articulated in a timely manner.;
- Risk Appetite, Tolerances and Limits – to ensure clear boundaries for acceptable risk taking are defined by the Company’s Board.;
- Risk Management and Controls – to ensure conscious management decisions are taken to secure opportunities and bring threats within acceptable bounds.;
- Risk Reporting and Communication – to ensure communication of risk information to different levels in the organization to support decision-making.

The Company’s Risk Management Strategy is to ensure that all staff has access to the appropriate tools, processes and training to enable them to make informed and timely risk-taking decisions.

The risk management function is provided with authority through the Chief Risk & Sustainability Officer to:



- Provide the infrastructure and information systems required to create a sustainable risk management framework;
- Deliver an Own Risk & Solvency Assessment (“ORSA”) process capable of informing the Board and Senior Management on the Company’s solvency and risk profile on an ongoing basis; and
- The risk management framework established by this Policy ensures a sound governance and internal control system is established for the purpose of complying with the BMA’s Group Rules (for Argo Group) and ICC (for Argo Re).

Additional information regarding Argo’s approach to ERM is available on the Argo Group website: <https://www.argolimited.com/about/corporate-responsibility/enterprise-risk-management/>.

## ii. Risk Management and Solvency Self-Assessment Systems Implementation

### Argo Group ORSA Reporting Process

Argo Group recognizes the value of formalizing its risk and capital reporting and has established an ongoing ORSA process. The process is based upon two cycles of reporting, quarterly and annual. The ORSA process is closely aligned to the business planning process and informs the risk and capital implications of this process, and ultimately, the potential implications for the organization’s solvency. The ORSA process is the mechanism through which the Internal Model informs the business planning process.

Each quarter a less comprehensive ORSA risk report is produced that provides status updates presented by the Chief Risk & Sustainability Officer to the Group Risk & Capital Committee where risk exposures are compared to the risk tolerances, material breaches are presented, recommended mitigation strategies, and material emerging risks are discussed in the context of the business plans. A similar regular ORSA process has been established for the Lloyds’ Managing Agency, Argo Re, Argo Seguros, ArgoGlobal SE, ArgoGlobal Assicurazioni S.p.A. and Argo US.

On an annual basis, a comprehensive risk report is produced for Argo Group. The Group report incorporates perspectives for Argo Re and Argo US. Separate Annual ORSA Reports are produced for the Lloyds’ Managing Agency, ArgoGlobal Assicurazioni S.p.A., and ArgoGlobal SE as required by local Solvency II Directive 2009 (“Solvency II”) regulations. The timing of the production, approval and issuance of these reports is governed by the applicable regulatory timetables.

Argo Group’s Risk Assessment Process (“RAP”) is driven by the organization’s strategic goals and objectives. Material risks are ranked and prioritized based on established criteria and evaluated on both an inherent (i.e., pre-risk mitigation controls in place) and residual (i.e., post-risk mitigation controls in place) basis. The findings and recommendations that result from Argo Group’s risk and solvency self-assessment process are a key source of information for strategic decision-making, regulatory reviews as well as disclosures to supervisory authorities and key stakeholders.

## iii. Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management Solvency

### Argo Group Solvency Self-Assessment and Risk & Capital Management

Argo Group recognizes that developing Enterprise Risk Management (“ERM”) is a long-term process with a step-wise continuous improvement approach required to build gradually on the adoption of risk management processes across the organization. Argo Group therefore defined a Risk Management Strategy to ensure ERM adoption creates a risk aware culture.

The risk management vision is for an organization where all staff within the organization have access to the appropriate tools, processes and training to enable them to make informed and timely risk-taking decisions. This implies that:

- Risks are made visible;

- Risks are discussed and understood;
- Risks are owned;
- Appropriate action is taken; and
- Argo learns from its risk taking.

The process of achieving this vision has relied on a series of annual objectives incorporated into a multi-year improvement plan. Progress reported have been provided to the Board Risk & Capital Committee on an annual basis. The Chief Risk & Sustainability Officer provides a second line of defense of the effectiveness of risk management across the organization against a Risk Management Maturity Model methodology using the criteria laid out in the NAIC ORSA Handbook. We recognize the importance of meeting best practice standards and have aligned our approach to international standards such as ISO 31000 (2018): Risk Management COSO (2017) Enterprise Risk Management: Integrating with Strategy and Performance, as well as the Risk Coalition, “Raising the Bar: - Principles-based guidance for board risk committees and risk functions in the UK financial services sector.”

The effectiveness of the ERM framework is tested independently periodically by either Internal Audit or external consultants and the findings reported to the Board Risk & Capital Committee. Appropriate actions are then agreed and tracked to completion.

The risk reporting within Argo Group is based upon a group-wide cycle with regular quarterly reporting to various Risk Committees including the Risk & Capital Committee of the Board of Directors. In practice this means that each Risk Committee agrees upon certain actions, which are tracked through their completion. A feedback loop exists to ensure that if a Risk Committee requests additional analysis or a change to the format of a regular risk report, the responsive action to this request is tracked through its completion and the respective Risk Committee confirms its acceptance of the responsive action.

The Chief Risk & Sustainability Officer is the owner of the risk reporting provided to Risk Committees. Risk reporting is integral to the Argo Group’s management information system and takes place at several different levels throughout the business. It provides Senior Management, the Board and other relevant external parties (e.g., regulators, rating agencies) with sufficient information to enable them to assess (1) the actual level of risk integrated into the business plan and (2) the effectiveness of the control environment.

The Risk & Capital Committee of the Board of Directors meets quarterly to discuss Argo Group’s risk assessment of material risks and any significant change to the overall Argo Group risk profile, including actions being taken to mitigate or control key risk exposures.

Risk is reported and discussed externally at Argo Group in many forums including:

- Quarterly/Annual risk disclosures in SEC Form 10-Q and SEC Form 10-K respectively.
- Presentations/meetings to/with insurance regulatory authorities.
- Annual rating agencies review with A.M. Best and Standard & Poor’s (“S&P”).

#### iv. Self-Assessment Approval Process

Argo Group Solvency Self Assessments are predominantly compiled from existing and previously approved business materials such as the quarterly Own Risk & Solvency Assessment (“ORSA”) risk reports, business plan, capital modeling output and other risk management framework documentation.

The review and sign-off of the GSSA report is managed by the Risk Management Function, with detailed review by Risk Owners across the businesses sitting on the ERM Steering Committee. The approval affirms the accuracy, coverage and necessary detail within the report, for its use as a point of reference, as well as the report’s utilization in future decision- making by the Board and management.

The GSSA is shared with the members of the Argo Group, Argo Re and Argo Group US Boards and approved by the Argo Group Chief Risk & Sustainability Officer.

#### **d. Internal Controls**

##### **i. Internal Control System**

The Company defines internal controls as a process, conducted by its Board, Senior Management and employees (among others), designed to provide reasonable assurance that business objectives are achieved.

This is accomplished by:

- Securing compliance with applicable laws, regulations and control processes;
- Ensuring processes are efficient and effective;
- Ensuring that sufficient and reliable financial and non-financial information is available to effectively manage the business; and
- Ensuring that adequate policies and procedures are in place, particularly those related to the company's key business functions (i.e., IT, accounting, financial reporting, risk management and compliance).

Elements of the control environment include integrity, ethical values, management's operating style, delegation of authority, as well as the processes for managing and developing people in the business.

Argo Group maintains a Code of Conduct and Business Ethics that applies to all its directors, officers and employees, including the principle executive officer and the principal financial officer. This is an important foundation of its internal control system that is applicable to compliance with laws and regulations, and policies and procedures for conflicts of Interest, insider trading, anti-money laundering, anti-trust, anti-bribery and anti-corruption, gifts & entertainment, political contributions, data privacy and Information security, outsourcing and confidentiality. Corporate training is provided to Company employees and its relevant third party vendors regarding the subject of the Company's policies and procedures.

The Internal Controls System is designed and operates to assist the Board and Senior Management in the fulfillment of their respective responsibilities for oversight and management of the Company. The Internal Controls System provides them with reasonable assurance from a control perspective that the business is being operated consistent with (a) the strategy and risk appetite set by the Board, (b) business objectives, (c) policies and procedures, and (d) laws and regulations.

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 Key Functionaries and 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.

#### Health and Occupational Safety

Argo Group accepts its duty to prevent injury and ill health to employees, visitors, contractors, and temporary workers, as well as any members of the public who might be affected by the Company's operations. The key Occupational Health & Safety objective is to minimize the number of instances of occupational accidents and illnesses and ultimately achieve an accident-free workplace and activities. More information is available at [argolimited.com/about/corporate-responsibility/occupational-health-safety-management/](http://argolimited.com/about/corporate-responsibility/occupational-health-safety-management/).

#### Human Rights

We are committed to treating everyone with dignity and respect and strive to promote human rights in accordance with the UN Guiding Principles on Business and Human Rights, and we expect the third parties we work with do the same. We recognize that business has the responsibility to respect human rights and the ability to contribute to positive human rights impacts.

The key Human Rights objective is to minimize incidences of infringement of human rights in the Company's operations, including those managed by third parties. Human Rights risk exposures are recognized as an enterprise risk exposure with the Company's enterprise risk management framework, and appropriate controls are maintained in place to reduce this risk to acceptable levels. The key exposures are related to the business partners we chose to work with and our ability to ensure appropriate due diligence oversight of their operations so that these do not bring us into disrepute. Failure to adequately manage these Human Rights exposures is recognized as potentially creating a material reputational risk exposure.

Argo Managing Agency has put in place a Policy on Modern Slavery during 2018 as required under U.K. law.

See <https://www.argolimited.com/about/corporate-responsibility/human-rights/>

## ii. Compliance Function

Argo Group has established a centralized Compliance Function. The Compliance Function oversees compliance activities for Argo Group operations. The Compliance Function forms a part of the Legal and Compliance Department and reports into the Argo Group General Counsel. Argo believes this organizational structure optimizes its ability to maintain an effective and efficient Compliance Function.

The Compliance Function operates to the Compliance Function Charter reviewed annually by the Argo Group Audit Committee. The mission of the Compliance Function is to support the Board of Directors of the Company, Argo Group Senior Management and the Argo Group operation in ensuring it meets its regulatory obligations in the territories in which it operates. The Function will do this by:

- Monitoring regulatory developments;
- Putting in place the necessary systems and controls to meet regulatory requirements;
- Advising management on maintaining compliance with regulatory requirements;
- Monitoring and reporting on regulatory compliance performance of the business; and
- Ensuring staff are aware of regulatory obligations through compliance training.

The Compliance Function has implemented and maintains a formal and documented compliance framework incorporating the on-going activities of the Function. The compliance framework is made up of critical components ensuring there is in place a robust regulatory compliance risk-management program for the Argo Group:

### Governance

- Set and maintain a "culture of compliance" including Board and Senior Management
- Establish Clear Roles & Responsibilities (Three Lines of Defense Model)

### Risk Assessment

- Map defined laws and regulations to the different aspects of the business
- Prioritize and identify high risk compliance areas of focus
- Align risk assessment process with other components of compliance program

### Policies & Procedures

- Develop and maintain formalized regulatory compliance risk policies and procedure documentation
- Establish and socialize with the business
- Anchor policy and procedure documentation to regulatory guidelines

### Compliance Monitoring

- Establish scope and frequency for monitoring and testing based on risk assessment
- Perform periodic testing and monitoring of compliance controls
- Measure and monitor corrective action or remediation plans

### Reporting & Communications

- Identify reporting requirements and provide on-going and periodic reporting to Senior Management, Board, regulators, etc.
- Establish compliance communication and messaging
- Establish formal communication protocol

### Compliance & Training

- Conduct risk focused compliance training
- Develop training plan and execute accordingly
- Update and maintain training content anchored by regulatory requirements and guidance

### Regulatory Interaction

- Maintain business-wide view of recent and planned examination activities and findings
- Determine regulatory communication protocols and establish process to receive and respond to regulatory requirements
- Identify critical shareholders

### Compliance Technology

- Develop detailed business requirements
- Identify and document critical technology platforms leveraged by compliance
- Evaluate technology platforms and seek to utilize automation where possible

Additional information regarding Argo's approach to compliance is available on the Argo Group website: <http://www.argolimited.com/compliance-at-argo/>.

#### **e. Internal Audit**

### Argo Group Internal Audit Implementation

The internal audit function is established by the Audit Committee of the Board of Directors. The Senior Vice President, Head of Internal Audit reports on a quarterly basis to the Audit Committee. The Audit Committee is responsible for:

- Approving the internal audit charter;
- Approving the risk based internal audit plan;
- Approving the internal audit budget and resource plan;
- Receiving communication from the Senior Vice President, Head of Internal Audit on the internal audit function's performance relative to its plan and other matters
- Approving decisions regarding the appointment and removal of the Senior Vice President, Head of Internal Audit;
- Approving the remuneration of the Senior Vice President, Head of Internal Audit; and
- Making appropriate inquiries of management and the Senior Vice President, Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Senior Vice President, Head of Internal Audit communicates and interacts directly with the Audit Committee, including in executive sessions and between Audit Committee meetings as appropriate.

The Internal Audit activity of Argo Group is responsible for periodically evaluating the processes of controlling operations throughout the organization. This responsibility is carried out in three distinct steps:

1. Ascertaining that the design of the process of controlling, as it has been established and represented by management, is adequate;
2. Determining, through compliance testing and other procedures, that the process is, in fact, functioning as intended in an effective and efficient manner; and

3. Reporting the results of audit work performed and offering recommendations for improving the controlling process.

### Independence

The internal audit function remains free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop detailed steps necessary to implement procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Auditors are required to maintain independence of mental attitude in the conduct of all assigned work; to be objective, fair, and impartial; and to conduct themselves so that clients and third parties will see our office in this way. Internal Auditors sign a Conflict of Interest Statement upon initial employment in the department and renewed annually thereafter. Each staff member must promptly notify their Internal Audit manager or the CEO of the Company in writing concerning any situation that would impair the staff member's or the office's independence on an audit, or that might lead others to question it.

If a staff member has any doubt about whether a situation may constitute impairment, he or she should resolve the question in favor of disclosure. To maintain independence, any auditor (including Senior Management) who transfers to Internal Audit from the Company's auditable areas may not perform any audit testing, review work papers, or issue audit reports for that auditable area for one year after the transfer.

The Senior Vice President, Head of Internal Audit confirms to the Audit Committee, at least annually, the organizational independence of the internal audit function.

The frequency and scope of auditing the controlling process is determined by Argo Group's Internal Audit department in connection with the Company's Senior Management and as approved by the Company's Audit Committee.

### **f. Actuarial Function**

Argo Group's Actuarial Function is responsible for:

- Estimating and reporting the Technical Provisions to the Board;
- Providing an opinion on the Underwriting Policy;
- Providing an opinion on the adequacy of reinsurance and other risk mitigation arrangements; and
- Contributing to, and report on, the Risk Management System (principally regarding the calculation of the capital requirements).

The decisions of the Actuarial Function are free from the influence of other functions, including management. The Function's role holders have the relevant qualifications, experience and knowledge of the risks inherent in the business. The Group Actuarial function is led by a Chief Actuary and is resourced to address all reserving requirements across the Group. The Chief Actuary reports to the Board Audit Committee on a quarterly basis with respect to reserving matters. Actuarial function holders, including the Chief Actuary are qualified Fellows of appropriate national Actuarial societies.

Actuarial reserving processes are well defined and closely managed. Procedures for quarterly review, discussion and financial reporting of reserves are in place and managed through thorough processes and ultimate management sign off. Each business unit has at least one pricing actuary who is responsible for the pricing adequacy at both a portfolio level and, where appropriate, at an individual account level. These pricing actuaries and their managers work closely with the Underwriting teams to review the pricing models and to determine the expected loss costs associated with the various products within the businesses. There is clear functional separation between the pricing and reserving teams and between the Actuarial function as a whole and both the Underwriting and Claims functions.

A Capital Modeling team is in place and reports to the ERM function on the management and oversight of the internal Economic Capital Model (“ECM”). The independent validation of the ECM is completed by the Actuarial function to maintain a separation of duties.

**g. Outsourcing**

**i. Outsourcing Policy and Key Functions that have been Outsourced**

It is Argo Group’s Outsourcing Policy to manage its relationships with all of its outsourced service providers, in accordance with the Bermuda Monetary Authority (“BMA”)’s Group Rules and Insurance Code of Conduct (“ICC”), and the laws and regulations of the countries in which the Company conducts business. This is achieved by embedding into the organization adequate systems and controls to mitigate the risks associated with outsourcing activities. Argo Re applies a consistent Outsourcing Policy as the Group.

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, Labor Relations and Human Rights performance. We outline in more detail under the Operational Risk section measures taken to work with our partners on Operational Resilience particularly in the light of the COVID-19 Pandemic event.

When relying on a third party or other affiliated entity to perform operational functions required by a regulator or essential to regulated activities, Argo Group:

- Maintains oversight and accountability for these functions as if they were performed internally and subject to the Company’s own standards for corporate governance and internal control; and
- Notifies, where required by applicable laws and regulations, the Regulator of any outsourcing agreements for material functions and submits those agreements to the Regulator prior to signing.

The Company also ensures that any service agreements to perform material outsourced functions include:

- Terms of compliance with jurisdictional laws and regulations;
- A requirement for cooperation with the Regulator and any other relevant competent authority; and
- Timely access to data and records.

Argo Group has a number of strategic relationships with service providers for the provision of key services. The key services currently outsourced include:

- Underwriting support services including data entry and reconciliation;
- Financial Reporting & Accounting support services;
- Catastrophe risk modeling services including data entry and reconciliation;
- A range of aspects of Information Technology; and
- Tax function operations.

**ii. Material Intra-Group Outsourcing**

Argo Group has established a number of intra-group shared services arrangements to facilitate the creation of centers of excellence in the provision of functional activities. In each case a service level agreement is put in place between parties formally describing the intent of the agreement. These service level agreements come under the same Outsourcing Policy and Procedure as external arrangements and are subject to legal review.

The primary agreements are with Argonaut Management Services Inc. providing services from its United States operations in support of other areas of Argo Group and with Argo Management Services Limited providing services from its United Kingdom operations for other areas of Argo Group. These agreements are in place to support a range of smaller group operations where establishing local functional expertise is not justified based on the scale of the business operations.

Services which might typically be provided under these agreements include: Information Technology, Internal Audit, Enterprise Risk Management, Financial Planning & Accounting, Investment Management, Legal, Marketing and/or Actuarial. The nature of each agreement varies based on the type and scale of each operation to which it is intended to apply.

Argo Re applies the same processes to Intra-Group Outsourcing as Argo Group.

**h. Other Material Information**

None.



## Part 3 Risk Profile

### a. Material Risks the Insurer is Exposed to During the Reporting Period

The objective of Argo Group's Enterprise Risk Management and Governance Frameworks are to ensure that:

- All reasonably foreseeable material risks, including financial and non-financial, on and off-balance sheet and current and contingent exposures are identified;
- 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
- Policies and strategies are developed and maintained to manage, mitigate and report material risks effectively.

The risk taxonomy is intended to broadly define Argo Group's universe of risks by classifying risk categories and risk causes. This classification serves to drive consistency in the evaluation of risks across business units and enable a meaningful rollup of operating unit risks to Argo Group level risks. The classification considers four major categories of risk, which are Insurance Risk, Financial Risk, Operational Risk and Strategic Risk. These in turn are broken down into risk causes as defined in [Appendix C – Risk Appetite Framework](#). This is the basis of Argo Group's risk register and risk assessment process.

Argo Group uses a Risk Assessment Process to assess, investigate, aggregate and prioritize key risks across the organization. This tool encompasses granular risk scenarios (e.g., an event that may lead to a negative impact on earnings, capital or business prospects of Argo Group, when and if it occurs) across all risk types. Risk Registers are completed at the business unit level, then rolled up to a consolidated level.

Argo Group evaluates risk scenarios based on their inherent riskiness (Gross risk), as well as their residual riskiness (Net risk). Argo Group's approach to risk ranking and prioritization is based on a 5-level scoring system for both Impact and Likelihood. Risk evaluation considers two key aspects, Impact, in terms of financial and reputational consequences, and Likelihood in terms of the probability of occurrence.

Impact is scored from Very High (VH) through to Very Low (VL) based on objective and consistent criteria. The approach is consistent in all areas of Argo Group; however, the specific financial metrics are scaled to each business unit's operation. The methodology used ensures relevance for each business unit or entity considered but enables an aggregation to the Group-level. Reputational risk measures are consistent across all entities.

The Likelihood of a risk's occurrence is also considered on a five-point scale from Very High (VH – once per year or more) to Very Low (VL– 1 in 100 year's event). This approach allows the development of a heat map with a five-by-five grid, mapping the risks to three zones for prioritization purposes. Risk tolerance is therefore defined by the boundary of Red and Amber areas. Risks within the Green area are considered to be currently not material. Risks within the "Red zone" require escalation to the Board for immediate management action in terms of determining appropriate mitigation. See [Appendix D – Risk Assessment Criteria](#).

The Company's main risk categories as defined in the risk taxonomy are:

#### Insurance Risk

The risk of loss or adverse change in the value of liabilities due to the random timing / frequency or severity of insured events, inadequate pricing or reserving practices. Insurance risk specifically includes Catastrophe risk, Non-Catastrophe Underwriting Risk and Reserving Risk.

#### Cyber Risk

Insurance risks include the exposure to Cyber Underwriting associated with the provision of Cyber insurance to third parties. Argo Group has defined risk tolerance levels for both affirmative (deliberate) and silent (non-affirmative) cyber exposures based on use of models and stress and scenario testing respectively and continues to track exposures over time against these risk tolerance limits. Argo Group has reduced its exposure to affirmative coverage through

2020 as a deliberate strategy, focusing on SME (small and medium enterprises) for this segment. Risk mitigation measures with respect to silent cyber exposures have been taken in terms of clarification of coverage terms on non-Cyber insurance wordings.

### Strategic Risk

The risk that significant earnings and/or capital impact materializes due to poor management decisions, ineffective execution, or inadequate responsiveness to macro-economic conditions and competition. Strategic risk specifically includes Group Risk. Group Risk relates to intra-company risks associated with different risk profiles between the holding company and insurance operating entities.

### Reputational Risk

The risk of damage to Argo Group's brand and reputation through the actions or lack of actions of management.

Argo specifically recognizes the increasing expectations of investors through measures such as ESG (environmental, social and governance) indices, upon the efforts made by the insurance industry to contribute to global resilience against the impact of storm and flood damage to population centers.

Argo Group has established a sustainability program to enable it to respond appropriately. Argo Group established a Sustainability Working Group ("SWG") in 2016, which coordinates Argo Group's approach and maintains a Sustainability threat and opportunity assessment. The SWG receives a detailed threat and opportunity analysis of the major Sustainability risks facing the organization every six months and escalates key issues to the ERM steering committee.

We have ensured our alignment of our sustainability strategy to the United Nations Sustainable Development Goals (SDGs). We have prioritized three of these goals in our program, specifically SDG11: sustainable cities and communities, SDG13: climate action and SDG5: gender equality. <https://www.argolimited.com/about/corporate-responsibility/sustainable-development-goals/>.

The Chief Risk and Sustainability Officer reports material Sustainability related issues, including climate change, to the Board Risk and Capital Committee on a quarterly basis as required. During 2020, Argo Group significantly enhanced its sustainability program and communication to stakeholders including shareholder outreach related to ESG factors.

More information on our overall Sustainability Program is provided on our website: <https://www.argolimited.com/about/corporate-responsibility/argolimited.com/about/corporate-responsibility/>.

### Climate Risk

Argo Group also recognizes its exposures to the financial risks within its property and casualty insurance portfolio associated with climate change. Climate Change has been classified as one of the company's material emerging risks, and as such it is regularly monitored by the risk management function for the primary purpose of assessing the potential impact of climate change on its insurance products and clients. We have fully integrated Climate Risk into our enterprise risk management framework, defining the risk and its sub-categories as demonstrated in [Appendix D](#). Risk Ownership has been assigned, risk and control self-assessments completed, and risk appetites and tolerances established and monitored against.

During 2020 Argo Group disclosed the company's greenhouse gas ("GHG") emissions for scope 1, 2, and 3 inventories against ISO 14064 - 1 and have set targets for their reduction for 2021, based on a 2019 baseline year, see [argolimited.com/about/corporate-responsibility/climate-change-vulnerability/](https://www.argolimited.com/about/corporate-responsibility/climate-change-vulnerability/).

### Financial Risk

The risk of loss or adverse change in the Company's financial strength due to market, credit or liquidity risks. Financial Risk specifically includes Market Risk (investment portfolio risk, concentration risk), foreign exchange, reinsurance default, account receivables default, asset-liability matching and liquidity risk.

## Responsible Investment

During 2019, we established a Board-approved Responsible Investment Policy and made a public commitment by signing up to the United National Principles of Responsible Investment. We continue to hold some investments in the energy sector, representing less than 5.0% of our total investment portfolio. Fluctuations in oil prices have disrupted the market values for this sector, particularly for oil exploration, production and servicing companies. We have reduced our exposures to the mining sector and anticipate these being run-off over time. We have undertaken stress and scenario testing exercises to understand the implications stranded asset exposure on our portfolio. We understand investors' increasing influence through measures such as ESG (environmental, social, and governance) indices, and we continue to closely monitor and evaluate these developing trends.

## Operational Risk

The risk of loss arising from inadequate or failed internal/external processes, people, or systems in the Company operations. Operational risk specifically includes regulatory compliance risk and model risk.

This includes the risks associated with attracting and retaining talent and is addressed through Talent and Succession planning processes and a proactive Diversity and Inclusion ("D&I") program. 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 Group adopted and published a Board-approved Diversity and Inclusion policy in October of 2019 coupled with a new D&I program, overseen by a Diversity & Inclusion Committee. During 2020 the D&I Committee has been established, supported by a formal D&I Vision. We have also established seven active employee resource groups ("ERG") and completed a Group-wide Employee Engagement survey during 2020. See <https://www.argolimited.com/about/corporate-responsibility/diversity-and-inclusion/>.

## Information Security and Cyber protection

This risk includes the impact of Information Security or Cyber threats impacting Argo Group's operations. Our dependency on information technology creates exposure to cyber-attack which is addressed by our cyber protection program as well as the purchase of cyber corporate insurance protection.

Our information security program and approach are based on the National Institute of Standards and Technology ("NIST") Cybersecurity Framework. We had 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 operate a Global Information Security 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 received periodic updates from the Chief Risk & Sustainability Officer and Chief Information Security Officer on the cybersecurity program and the activities of the Council.

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. During 2020, we experienced no material cyber security breaches.

We provide regular and comprehensive employee engagement and mandatory annual training programs to guard against the potential occurrence of malicious attempts to extort sensitive information from our systems. We defend

social engineering attacks against our staff by carrying out monthly phishing tests of all Argo employees and use the results of such testing to appropriately refocus to our staff awareness of these ever-changing threats.

Further details are provided in the Company's Risk Factor disclosures within the Annual Report on Form 10K: <https://www.argolimited.com/investors/sec-filings>

### Data Privacy Risk

Data Privacy Risk includes exposures to data protection and privacy breaches related to information Argo Group holds about our customers. The potential for loss of confidential information within an increasingly more complete data privacy regulatory environment is addressed by our corporate data protection program.

Argo maintains a Personal Information Protection Policy, Data Protection Framework, and Third-Party Risk Management Program, with a commitment to manage non-public personal information we require to operate our business and comply with 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 and the foundational principles of the European Union's General Data Protection Regulation. During 2020 we experienced no material data privacy breaches involving Personal Identifiable Information or customer information. In addition, some of Argo Group's operations may also be subject to the requirements of the Bermuda Personal Information Protection Act.

We 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 to protect 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.

Argo Group maintains a Global Data Protection Office that assesses risks associated with handling and protecting personal information. Argo's Global Data Protection Program protects personal data by implementing appropriate technical and organizational measures in our data processing operations through Argo's foundational privacy principles, and applicable privacy laws which include:

- **Privacy by design.** Incorporating privacy into services and products beginning with the design phase such that privacy becomes an essential component of any product or service.
- **Security.** We work to ensure that Argo's infrastructure, business operations, and data is protected by best practices for safeguards, protections, and countermeasures.
- **Limited data collection.** Processing personal data should be adequate, relevant, and limited to what is necessary.
- **Accuracy and quality.** Personal data should be accurate and kept up to date. Inaccurate data promptly should be deleted or corrected, as applicable and pursuant to applicable law.
- **Privacy by default.** We seek, where possible, to have services and products limit the collection, disclosure, and other processing of data.
- **Visibility and transparency.** We strive to make our data practices transparent, clear, and accessible to our customers and employees.

Further details are provided in the Risk Factor disclosures within the Company's Annual Report on Form 10K: <https://www.argolimited.com/investors/sec-filings/>.

### Operational Resilience

Argo Group maintains a robust business continuity plan ("BCP"). The purpose of the BCP is to ensure the continuity of operations of our enterprise in the event of a major disruptive event. Our BCP is owned by our Operations function and is regularly tested, as are the supporting processes associated with Incident Response and Information Technology Disaster Recovery Plan. The scope of our plans includes our own internal operations as well as those of our key outsourcing partners.

Our intent in this regard is to ensure that service delivered to our customers and partners is maintained under challenging circumstances and appropriate measures are taken to prioritize those activities most critical to ensuring we can continue to service our clients' needs including the timely settlement of claims.

Several risk assessments and stress tests were completed during 2020 because of the COVID-19 pandemic. Consideration was given to the impact on all aspects of the business from employee well-being, and customer outcomes to the financial and capital management consequences. The internal control environment was reviewed because of the change to remote working and enhancements were made particularly to information security controls. Third party management was an area of increased scrutiny both in terms of financial and cyber resilience.

### Vendor Management

Our Vendor Management and Outsourcing Policies 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, Labor Relations, Human Rights performance, and Governance & Accountability.

The outcome of the risk identification/prioritization process as captured in Argo Group's Corporate Risk Register is consistent with the risk assessment results coming from the Economic Capital Model ("ECM"). The three most material risk exposures to Argo Group from the risk profile, as confirmed by the ECM are Reserve Risk, Premium Risk and Market Risk. There have been no movements in the last 12 months in the risk profile that Argo Group considers to be material.

#### **b. Risk Mitigation**

The Risk Assessment Process applies to the consideration of the operation of controls and other mitigation strategies to manage risks appropriately within agreed risk tolerances and limits. This process ensures that material risks are described using consistent terminology for impact and likelihood, articulated within the risk management framework.

The process ensures that controls and mitigation strategies are documented for each material risk and that Risk Managers acknowledge ownership for the maintenance and operation of controls. In some cases, controls will belong to staff within other functions or departments and therefore a Control Owner will be identified, who needs to interact proactively with a Risk Manager to ensure that the control environment remains effective.

The Risk Assessment includes a Control Self-Assessment whereby the business determines the effectiveness of the controls against two dimensions, the control design rating and the control implementation rating. This Assessment provides more clarity and transparency on the evaluation of controls that influence the risk scoring of Gross Risk and Net Risk levels.

New risk controls are established by the Company in response to changes in the business environment and agreed risk appetite and risk tolerances. Continuing to maintain a structured reinsurance program is a key element of Argo Group's risk mitigation strategy and is managed through the Executive Reinsurance Committee.

Argo Group possesses enterprise-wide licenses for industry catastrophe ("CAT") models RMS which are applicable to the vast majority of perils and regions. The catastrophe modeling team monitors and communicates through periodic reports key information. The results of these reports are used to set strategic plans according to a defined CAT risk appetite, identify potential CAT material risks and making a determination as to potential CAT risk mitigation strategies.

Argo Group continues to develop bespoke models for key perils using its Argo Risk Portfolio System ("ARPS") platform. Bespoke models include civil commotion and terrorism perils. Argo Group has also developed a stochastic North American wildfire model.

Where an action is identified as required to improve a control, implement a mitigation strategy or respond to a changed risk profile, the action plan is clearly articulated and assigned an Action Owner as well as a deadline. The Action Owner is responsible for taking the action and ensuring its implementation. Periodic reviews occur in order to monitor and report on the action status and escalate significant delays in the completion of an action.

Internal Audit periodically reviews the ERM framework and ensures that appropriate controls are in place for managing material risk exposures. Both the Risk Management and Internal Audit functions report periodically on the effectiveness of enterprise risk management to the Board Audit Committee and the Board Risk & Capital Committee.

### **c. Material Risk Concentrations**

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.

The two most material areas of risk concentration are related to the following:

#### **i. Catastrophe risk exposures:**

The Company is 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. 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.

#### **ii. Counterparty and credit exposures:**

With respect to investments, top-down indicators such as strategic asset allocation thresholds are defined and closely monitored to ensure balanced investment portfolios. Consideration is given to credit quality, sectors and geographic locations.

Argo Group has established an Investment Policy, approved by the Board Investment Committee. This Policy governs the allocation of assets and prohibits exposures in excess of certain risk tolerances. Twenty-three (23) separate concentration limits are monitored and reported against. Compliance with these risk tolerances is confirmed within the quarterly ORSA report provided to the Board Risk & Capital Committee.

Some specific material risk concentration limits that are subject to enforcement include:

- Maximum investment in a single entity or asset is \$5 million without specific Investment Committee approval;
- Maximum allocation to hedge funds, private equity or directly managed assets is limited to 15% of GAAP equity;
- Non-investment grade credit is limited to 25% of GAAP equity; and
- Emerging market debt is limited to 15% of GAAP equity.

Argo Group contracts with a variety of investment managers, each with individual investment mandates. Any breach of investment management mandates would be reported within a month and if a risk tolerance is breached, the existence of such breach would be escalated to the Investment Committee. Argo Group has remained in compliance with its Investment Policy for the entirety of the Reporting Period.

**d. How assets are invested by and on behalf of an insurance group in accordance with the prudent person principle as stated in paragraph 12 (1) (a) of the Insurance (Group Supervision) Rules 2011**

Consistent with the ‘prudent person’ principle in relation to the investment of assets, the Argo Group Chief Investment Officer invests only in those instruments that any reasonable individual with objectives of capital preservation and return on investment would own. This principle requires that Argo Group’s Investment Officer, in determining the appropriate investment strategy and policy, may only assume investment risks that he can properly identify, measure, respond to, monitor, control, and report while taking into consideration the applicable capital requirements and adequacy, short-term and long-term liquidity requirements, and policyholder obligations. Further, Argo Group ensures that investment decisions have been executed in the best interest of both its policyholders and its shareholders.

Argo Group has established an Investment Policy, reviewed and approved on an annual basis by the Board Investment Committee. This Investment Policy governs the allocation of assets and prohibits exposures in excess of certain risk tolerances. The Board Risk & Capital Committee also receives a quarterly ORSA Report comparing investment exposures with the approved risk tolerances.

**e. Stress Testing and Sensitivity Analysis to Assess Material Risks**

The Stress & Scenario Testing Framework (“SSTF”) is considered independent of, yet complimentary to, the Argo Group Economic Capital Model. The stress tests are developed independently of the ECM and the SSTF is used as a tool for independent ECM validation.

The purpose of the SSTF is to apply a variety of deterministic stress and scenarios to the Group’s material risks and analyze the impact on targeted earnings and capital. Stress-testing and scenario analysis are tools to evaluate the impact of severe, but plausible events.

Methods include sensitivity analysis, hypothetical or historical scenario analysis, using deterministic/analytic or stochastic means. Stress-testing and scenario analysis are intended to assist Argo Group management to define the firm’s risk tolerances, maintain exposures at acceptable levels, inform business and capital planning, and/or to establish strategy. Evaluating risks in this way is essential to the Argo Group Own Risk & Solvency Assessment (“ORSA”) process as well as informing business and capital planning processes.

The SSTF provides significant insight into both the opportunities and the potential vulnerabilities of Argo Group’s business strategy. The SSTF works in tandem with other risk management and financial tools and processes (e.g. capital models, catastrophe models, portfolio management tools, etc.) and provides the opportunity to offer, transparent insight to Argo Group Senior Management, the Board, and external stakeholders, confirming that Argo Group is operating within its stated risk appetite and risk tolerances.

The SSTF process calculates quantitative estimates of the impact on both earnings and capital across a set of stresses covering both individual and combined scenarios at the Argo Group level. These stresses capture a broad array of risks across six different risk categories, namely catastrophe, non-catastrophe underwriting, reserve, market, non-investment-related credit, and operational risk, and are selected by each risk owner according to their relevance to Argo Group’s risk profile. Insurance risks include consideration of both affirmative and silent cyber underwriting exposures. Operational risk scenarios include a wide range of scenario types including those associated with regulatory non-compliance, data privacy, information security, business continuity and loss of talent. The magnitude of the impact on earnings is calculated at different levels of severity, namely events that would be estimated to occur once in every 5, 20, 100 and 200 years (representing the 80<sup>th</sup> percentile, 95<sup>th</sup> percentile, 99<sup>th</sup> percentile and 99.5<sup>th</sup> percentile respectively). The magnitude of the impact on capital is calculated for an extreme event occurring once in 200 years (99.5<sup>th</sup> percentile).

The earnings baseline is calculated as the current year business plan expectation of U.S. GAAP Pre-Tax Operating Income, which is expected underwriting gain/loss plus net investment income. This baseline is updated in line with business plan updates.

The capital baseline has two components – available capital and required capital – each of which is evaluated as of the most recent year end. Available capital reflects the financial resources the Company has to absorb volatility of its assets and/or liabilities. Required capital reflects one year of business to be written during one future year. The estimate

of the stress is deducted at a given severity from the baseline earnings figure to calculate the post-stress earnings impact. The post-stress available capital impact is calculated, for example, by summing the available baseline capital and the 99.5<sup>th</sup> percentile earnings impact. If the baseline available capital is \$1,500 million and the 99.5<sup>th</sup> percentile post-stress earnings impact for a given stress is negative \$(150) million, the post-stress capital position will be \$1,350 million. Using the post-stress available capital figure, a post-stress Capital Adequacy Ratio (“CAR”) is calculated. This ratio reflects the post-stress required capital estimate relative to the available capital estimate, which will vary depending on the stress and the capital calculation basis and is compared to the Argo Group risk appetite.

The SSTF Dashboard was first established in 2015 and is subject to annual updates. The results of the SSTF Dashboard are reviewed with movements in the estimated stress impacts monitored over time.

Scenario analysis has been developed within Argo Managing Agency by adapting catastrophe risk models to consider the impact of 1 and 2 degree global temperature rise on our underwriting exposures. At the same time this scenario analysis has been extended as a pilot exercise with support from our investment managers to consider the impact of on invested assets, using scenarios developed by the Bank of England. This analysis will be further developed in 2021 as these techniques become more reliable and embedded.

Stress and scenario analysis have been carried out to consider the impact in the short and medium-term of the COVID-19 Pandemic event and included in our SSTF reporting framework. Although the event is extremely disruptive and impacts across operational, financial and insurance risk categories, this is not considered to be a capital event.

The stresses/scenarios are run through the SSTF analysis on a pre-tax basis. In other words, the potential tax benefit of a loss is not included in the post-stress measures of either earnings or capital. Individual risks scenarios do not reflect any diversification benefits and ultimately may overstate potential losses. The ultimate goal of the framework is not to have an exact measure of the potential loss, but to inform Argo Group executive management on a directional basis where the main risks are within Argo Group and where attention should be focused.

The outcome of the twenty-one (21) stress tests completed within the ORSA process for the year ending 2020 was that all stress tests prior to management response plans ensures that the Capital Adequacy Ratios (“CAR”) are maintained above our target risk appetite of 125% of regulatory capital post-event at the 1/200 year return period, except for a single scenario associated with Reserve Risk associated with extreme claims inflation. Allowing for the application of management actions across the various stress tests, materially improves the CAR outcomes for this scenario.

#### **f. Any Other Material Information**

##### COVID-19

The ongoing COVID-19 pandemic could adversely affect our business, including revenues, profitability, results of operations, and/or cash flows, in a manner and to a degree that cannot be predicted but could be material. The global COVID-19 pandemic has resulted in and is expected to continue to result in significant disruptions in economic activity and financial markets. COVID-19 has directly and indirectly adversely affected the Company and may continue to do so for an uncertain period of time. The cumulative effects of COVID-19 on the Company cannot be fully predicted at this time, but could include, factors described in the Risk Factor disclosures within the Form 10K: <https://www.argolimited.com/investors/sec-filings/> including without limitation:

- Reduced demand for our insurance policies due to reduced economic activity which could negatively impact our revenues,
- Increased claims, losses, litigation, and related expenses,
- A negative impact on our ability to timely and properly pay claims and establish reserves due to uncertainty around claims patterns, including impediments to adjusting claims in the field,
- Volatility and declines in financial markets which, in response to COVID-19, has reduced, and could continue to reduce, the fair market value of, or result in the impairment of, invested assets held by the Company,
- Disruptions in our operations due to difficulties experienced by our partners and outsourced providers that may, among other items, adversely impact our ability to manage claims,
- Increased costs of operations due to the remote working environments of our employees, and



- Increased vulnerability to cyberthreats or other disruption in our operations while most of our workforce is continuing to work remotely.

In terms of Argo's Response this has been focused on managing a number of aspects of this pandemic event:

**Crisis Management:** Argo's Executive Management Team and Incident Management Committee meet frequently (will be relaxed over time) to continually assess risks, determine impacts to the operations, identify contingencies to crisis scenarios, address operational issues and ensure employees understand their roles during the crisis.

**Operational Resilience and Business Continuity:** Argo's business successfully moved to all staff to remote working within 48 hours and has operated in this way throughout the event.

**Operational Resilience of third-party partners:** Business Process Outsourced and Application Development have been maintained with outsourced partners through the period. Contingency plans were activated and worked effectively.

**Communications:** Argo Group has kept employees informed through frequent company-wide communications, virtual townhall meetings (via audio/conference call), and a dedicated intranet page, covering:

- Health and safety precautions
- Human Resources policies
- Office closures
- Travel advisories
- Employee assistance programs
- Cybersecurity reminders
- Health benefits Information
- Equipment needs
- Virus exposure triggers and response
- Remote working training and tips

**Underwriting business impact:** The Company's 2020 underwriting results were adversely impacted by one of the most active years on record for natural catastrophe events, including a record number of North Atlantic windstorms, as well as the impact of losses related to COVID-19. Net losses related to natural catastrophes and COVID-19 totaled nearly \$180 million in 2020 and added approximately 10 points to our combined ratio, which resulted in an underwriting loss for the full year. Underwriting results improved from the prior year primarily due to a better current accident year, ex-catastrophe loss ratio. Notably, our results in 2020 included only \$8 million of prior year reserve strengthening, compared to \$138 million of prior year reserve strengthening in 2019.

**Liquidity and Cashflow:** Argo Group has continued to manage its liquidity using targeted operating cash balances, daily monitoring of cash flows, and maintaining a portion of its fixed income portfolio in highly liquid securities that can be liquidated in short order. To date, we have not experienced a disruption in expected cash flow and are maintaining operating cash balances at our targeted levels. Argo Group also benefits from a \$200 million revolving credit facility should it required access to short-term liquidity.

**Solvency and Capital:** Argo Group has monitored its capital adequacy and solvency ratios on an ongoing basis with formal internal and regulatory reporting on a quarterly basis, including the development of a range of scenarios and stress tests for different ways in which the event may develop.

**Regulatory:** Argo Group has continued to respond in a timely manner to all data requests and communications from its regulatory bodies.

## Part 4 Solvency Valuation

### a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

Under Argo Group's Economic Balance Sheet ("EBS"), assets are fair-valued in line with the U.S. GAAP principles adopted by Argo Group and Argo Re except where the U.S. GAAP principles do not require an economic valuation. In those cases, asset valuations are adjusted to the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

**Asset-backed securities:** Principally comprised of collateralized loan obligations, automobile loan receivables, credit card receivables, equipment receivables and home equity loans. Fair value prices are derived from observable data that 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.

**Cash:** Cash includes cash in banks. Interest-bearing cash deposits are categorized as short-term investments.

**Corporate debt:** Comprised of bonds issued by or loan obligations of corporations that are diversified across a wide range of issuers and industries. Fair value prices are derived from observable data that 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.

**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.

**Deferred Tax Assets:** Deferred Tax Assets ("DTA") are valued in accordance with EBS. Hence, DTA reflects any adjustment that GAAP financials suffer in order to convert them into EBS financials.

**Equity securities:** Comprised of U.S. and foreign common and preferred stocks and mutual funds. Prices are obtained from third-party pricing services using quoted prices in active markets. The fair values of the Company's mutual funds are based on the net asset value ("NAV"). The remaining fair value measurements are from the National Association of Insurance Commissioner's Security Valuation Office and from brokers using estimates and assumptions.

**Foreign exchange currency forward contracts:** The fair value of foreign exchange currency forward contracts is priced from quoted market prices for similar exchange-traded derivatives that utilize independent market data inputs.

**Goodwill and Intangible Assets:** 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.

**Mortgage-backed securities:** Comprised of residential and commercial mortgages originated by U.S. government agencies (such as the Federal National Mortgage Association) and commercial entities. Fair value measurements from are from third-party pricing service using observable data that 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.

**Receivables:** Premiums receivable, representing amounts due from insureds, are presented net of an allowance for doubtful accounts. 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 and reflect amounts that are due

from trade capital providers. Reinsurance recoverables are presented in our Balance Sheets net of an allowance for doubtful accounts. 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.

**Short-term Investments and cash equivalents:** Short-term investments include money market funds, commercial paper, interest-bearing time deposits and bonds with maturities of less than 12 months from the date of purchase.

**States and Political Subdivisions:** Comprised of fixed income obligations of U.S. domiciled state and municipal entities. Fair value prices are derived from observable data that 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.

**U.S. government agencies:** Comprised primarily of bonds issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. Fair value is derived from observable data that 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.

**U.S. Treasury Securities:** The fair values of the Company's U.S. Treasury securities are based on quoted market prices in active markets.

**Non-U.S. government and government agencies:** Comprised of fixed income obligations of non-U.S. governmental entities. Fair value prices are derived from observable data that 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.

**Sundry Assets:** Sundry Assets consists of Deferred Acquisition Costs, Income Tax Receivable, Security Receivable and Other Assets (excluding non-admitted Fixed Assets and Prepaid Expenses), each of which is valued at historical cost, which approximates fair value.

**Other Investments:** Comprised of funds invested in a range of diversified strategies. The Company does not measure its investments that are accounted for using the equity method of accounting at fair value unless an other-than-temporary impairment is recorded.

**Other Investments reported at fair value:** Comprised of foreign regulatory deposits 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 by Lloyd's.

#### **b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions**

Argo Group has estimated the technical provisions, valued off the Bermuda EBS basis, and is closely following the template provided by the BMA. The technical provision calculations start with GAAP loss reserves by reserving class with any margin removed and making an appropriate allowance for events not in the data. The amount of discount in the reserves is calculated based on payment patterns derived from Argo data and the yield curves provided by the BMA. Premium provisions are based on the approach using Unearned Premium reserves and Deferred Acquisition Costs ("DAC") as well as any premium expected to be collected in the future.

To calculate the risk margin, Argo Group uses the approach employed in the template. As indicated in the actuarial opinion, the best estimate of the technical provisions for Argo Group is \$3,530 million (prior year was \$3,116 million). The technical provisions include a risk margin of \$249 million (prior year was \$215 million). Due to the corporate structure, we have determined that the Argo Re's technical provisions and reserve margin are identical to that for Argo Group.

### c. Description of Recoverables from Reinsurance Contracts

As is common practice within the insurance industry, Argo Group’s insurance subsidiaries transfer a portion of the risks insured under their policies by entering into a reinsurance treaty with another insurance 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 insurer, we purchase a broad-based series of reinsurance programs in an effort to mitigate the risk of significant capital deterioration, as well as to minimize the volatility of earnings against the impact of a single, large catastrophe or several smaller, but still significant catastrophe events.

Reinsurance does not discharge the issuing primary carrier from its obligation to pay a policyholder for losses insured under its policy. Rather, the reinsured portion of each loss covered under a reinsurance treaty is ceded to the assuming reinsurer for reimbursement to the primary carrier. Because this creates a receivable owed by the reinsurer to the ceding carrier, there is credit exposure to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under its reinsurance treaty. The ability to collect on reinsurance is subject to the solvency of the reinsurers, interpretation of contract language and other factors. We are selective in regard to our reinsurers, seeking out those with stronger financial strength ratings from AM 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, 2020, Argo Group’s reinsurance recoverable balance totaled \$3,009 million, net of the allowance for estimated uncollectible reinsurance of \$4.1 million, \$1.7 million of which was not allocated across the ratings categories. We applied the whole unallocated balance to the reinsurers rated A+ or better category to maintain a conservative approach and are passing on further investigation due to immateriality. The following table reflects the credit ratings for our reinsurance recoverable balance at December 31, 2020:

Ratings per AM Best for Argo Group	Reinsurance Recoverables (\$, MM) [YE2019 in Brackets]	% Total	% Change from YE 2019
Reinsurers rated A+ or better	1395.1[2340.5]	46.37%	(40)%
Reinsurers rated A	1,262.2 [326.5]	41.95%	288%
Reinsurers rated A-	192.1 [108.0]	6.38%	78%
Reinsurers rated below A- or not rated	159.6 [332.2]	5.30%	(52)%
<b>Total</b>	<b>3009.0[3107.2]</b>	<b>100%</b>	<b>(3)%</b>

All of the Company’s top 10 reinsurers were rated A or higher, and accounted for \$1,726.8 million, or approximately 57% of the reinsurance recoverable balance as of December 31, 2020. Management has concluded that all balances (net of the allowance for estimated uncollectible reinsurance) are considered recoverable as of December 31, 2020.

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 7, “Reinsurance,” in the Notes to the Consolidated Financial Statements to the Company’s Annual Report on Form 10-K: <https://www.argolimited.com/investors/sec-filings/>.

### d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

Argo Group U.S., Inc., 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, 2020, and 2019, the qualified pension plan was underfunded by \$4.2 million and \$3.7 million, respectively. The non-qualified pension plans were

unfunded by \$2.0 million at December 31, 2020 and 2019, respectively. Underfunded and unfunded amounts are included in “accrued underwriting expenses and other liabilities” in our consolidated balance sheets. Based on the current funding status of the pension plan, effects of the curtailment and expected changes in pension plan asset values and pension obligations, we do not believe any significant funding of the pension plan will be required during the year ending December 31, 2021. Net periodic benefit costs were \$0.1 million and \$0.3 million for the years ended December 31, 2020 and 2019, respectively. Net periodic benefit cost was minimal for the year ended December 31, 2018.

Substantially all of our employees are either eligible or mandated by applicable laws to participate in employee savings plans. Under these plans, a percentage of an employee’s pay may be or is mandated based on applicable laws to be contributed to various savings alternatives. The plans also call for our contributions under several formulae. Charges to income related to our contributions were \$9.2 million, \$8.9 million and \$7.9 million in 2020, 2019 and 2018, respectively.

**e. Any Other Material Information**

None.

## Part 5 Capital Management

### a. Eligible Capital

- i. Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

Argo Group actively plans and manages its capital on an ongoing basis following Argo Group's Capital Management & Planning ("CM&P") process. Argo Group's CM&P process considers the needs of a range of stakeholders including policyholders, rating agencies, regulators, distribution partners, banks and other lenders, public debt-holders, public equity holders and management/employees. In fulfilling the goals of CM&P, the Argo Group Treasury/Corporate Finance Department along with other relevant Argo Group executives carefully balance the interests, sometimes competing, of these stakeholders.

CM&P process is intended to maintain capital levels to address the following capital uses:

- Protection of policyholder interests in each of Argo Group's underwriting entities and in each of the regulatory regimes in which Argo Group's various businesses operate;
- Obtain and maintain ratings from the rating agencies that demonstrate Argo Group's financial strength and enable Argo Group to serve as a competitive market for its clients, producers and policyholders;
- Enable Argo Group's senior business leaders to develop business plans and provide capital support for approved premium growth;
- Provide intermediate and/or ultimate holding company liquidity through, among other things, dividends and/or loans from subsidiaries;
- Provide intra-company liquidity through intra-company loans, down-stream capital contributions, up- stream internal dividends, or a combination thereof;
- Potentially raise capital from various sources of external capital available to Argo Group;
- Deploy excess capital, if any, and/or the proceeds of any capital raises, to various potential internal or external uses of capital, including stock repurchases, stock dividends and/or debt repayment; and
- Seek to optimize Argo Group's capital structure, weighted average cost of capital, and risk-adjusted returns for the benefit of, and with due regard to the need to balance the multi-faceted and sometimes competing interest of, Argo Group's various constituents.

Argo Group Eligible Capital	YE2019 (MM)	YE2020 (MM)
Tier 1	\$1,133,266	\$1,195,836
Tier 2	\$606,375	\$770,600
Tier 3	\$54,380	\$27,022
<b>Total</b>	<b>\$1,794,021</b>	<b>\$1,993,458</b>

Argo Re Eligible Capital	YE2019 (MM)	YE2020 (MM)
Tier 1	\$1,247,509	\$1,370,459
Tier 2	\$209,021	\$228,711
Tier 3	\$0	\$0
<b>Total</b>	<b>\$1,456,530</b>	<b>\$1,599,170</b>

ii. Description of The Eligible Capital Categorized by Tiers, in Accordance with the Eligible Capital Rules

Eligible Capital

Under the respective systems applied to Argo Re an insurer and Argo Group as an Insurance Group supervised by the BMA, all capital instruments at Argo Group and Argo Re are classified as either basic or ancillary capital, which in turn are classified into one of three tiers based on their “loss absorbency” characteristics. Highest quality capital is classified as Tier 1 Capital; lesser quality capital is classified as either Tier 2 Capital or Tier 3 Capital. Under this approach, 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 an entity’s general business. Eligible Capital is based on Bermuda Economic Balance Sheet (“EBS”) basis. However, Tier 2 Capital, which is partially based on Hybrid Capital, is pulled from the Consolidated Financials which are in accordance with GAAP principles.

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 an entity’s general business and its Enhanced Capital Requirement.

For YE2020, it should be noted that a portion of Tier 2 and all Tier 3 capital has been temporarily disallowed from the Eligible Capital calculation for Argo Group as a result of the minimum requirement to maintain 60% of Tier 1 Capital.

<b>Argo Group Eligible Capital by Regulatory Submissions</b>	<b>Limits: MSM ECR</b>	<b>Minimum Margin of Solvency (\$, MM) [YE2019 in brackets]</b>	<b>Enhanced Capital Requirement (\$, MM) [YE2019 in brackets]</b>
<b>Tier 1</b>	Min 80% / 60%	1,195,836 [1,133,266]	1,195,836 [1,133,266]
<b>Tier 2</b>	Max 20% / 40%	228,711 [283,317]	228,711 [283,317]
<b>Tier 3</b>	Max 15%	0 [0]	0 [0]
<b>Total</b>		<b>1,599,170 [1,416,583]</b>	<b>1,599,170 [1,416,583]</b>

<b>Argo Re Eligible Capital by Regulatory Submissions</b>	<b>Limits: MSM ECR</b>	<b>Minimum Margin of Solvency (\$, MM) [YE2019 in brackets]</b>	<b>Enhanced Capital Requirement (\$, MM) [YE2019 in brackets]</b>
<b>Tier 1</b>	Min 80% / 60%	1,370,459 [1,247,509]	1,188,694 [1,247,509]
<b>Tier 2</b>	Max 20% / 40%	228,717 [209,021]	228,717 [209,021]
<b>Tier 3</b>	Max 15%	0 [0]	0 [0]
<b>Total</b>		<b>1,417,411 [1,456,530]</b>	<b>1,417,411 [1,456,530]</b>

iii. Description of the Eligible Capital Categorized by Tiers, in Accordance with the Eligible Capital Rules Used to Meet the Enhanced Capital Requirement (“ECR”) and the Minimum Margin of Solvency (“MSM”) Defined in Accordance with Section (1) (1) of the Act

\$257.8 million of Junior Subordinated Debentures and \$140.2 million of Senior Notes are classified as Tier 2 Capital and applied to the ECR for Argo Group. This instrument has no approval for Argo Re.

This includes a principal balance of \$91.8 million unsecured Junior Subordinated Debentures which were assumed through the acquisition of Maybrooke Holdings S.A. during 2017. This debt has subsequently been assigned to Argo Re Ltd. as part of the ongoing liquidation of Maybrooke Holdings S.A. This debt has been classified as Tier 2 Capital for Argo Group. This instrument has no approval for Argo Re.

\$144 million Series A Preference Shares were issued on July 9, 2020. These were approved as Tier 2 Ancillary Capital status for Argo Group. On September 17, 2020 the Company used the proceeds to repay its \$125 million principal outstanding on its term loan. The proceeds remain as working capital to support growth of the insurance operations, and as such as treated as Tier 1 Ancillary Capital for Argo Re Ltd.

All other eligible capital is Tier 1.

- iv. Confirmation that eligible capital is subject to transitional arrangements as required under the Eligible Capital

\$172.7 million of Trust Preferred Indentures (“TRUPS”) and \$91.8 million Junior Subordinated Debentures are subject to transitional arrangements to 2026 for Argo Group. These instruments have no approval for Argo Re.

Junior Subordinated Deferrable Interest Debentures (the “Dekania Notes”), with value totaling \$16 million and €EUR 36 million, were given approval on December 19, 2018 as Tier 3 Ancillary Capital for Argo Group and are subject to transitional arrangements to 2026. This instrument has no approval for Argo Re.

The Bermuda Monetary Authority recognized these legacy hybrid capital instruments under Insurance (Group Supervision) Rules 2011 and the Insurance (Eligible Capital) Rules 2012. However, it is possible that these instruments will be redeemed prior to their maturity dates as the Company continues to review its funding options on a periodic basis.

- v. Identification of any factors affecting encumbrances affecting the availability and transferability of capital to meet the ECR

The capital adequacy evaluations performed by Argo Group are completed for Argo Group and for each entity within Argo Group. However, Argo Group recognizes that it may have adequate capital in totality without this capital having the required flexibility to allow it to be transferred from one entity to another in the period following a major event.

Argo Re, the Bermuda Class 4 risk bearing entity, is not licensed or admitted as an insurer in any jurisdiction other than 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.

Argo Re is required to maintain assets on deposit with various regulatory authorities to support its insurance operations. We therefore maintain assets pledged as collateral in support of irrevocable letters of credit under the reinsurance agreements for reported loss and loss expense reserves.

The components for these assets are:

- Securities on deposit for regulatory and other purposes,
- Securities pledge as collateral for letters of credit, and
- Securities on deposit supporting Lloyd’s business.

Argo Group has repeated a Capital Fungibility Analysis as of YE2020 on the same basis as performed in prior years. The exercise initially considered the statutory accounting basis for each entity within the Group, in order to understand local regulatory requirements.

Excess capital levels in each major company are identified, and the regulatory action levels with Risk Based Capital (“RBC”) or other regulatory capital requirements are shown for each major company.

Subsequently, in order to test the transferability of capital under a number of stress conditions, stress scenarios were applied to the capital structures taken from the Stress & Scenario Testing Framework for single events and combinations of events. In order to evaluate the impact on the capital of each entity of such group-wide events, the loss scenarios were apportioned to each entity based on their exposure to the risk category in question.



For each scenario, the capital adequacy of the impacted entities post-event and the conclusions in terms of potential capital movements required was considered. A high-level capital response plan was postulated taking into account the underlying constraints on capital movement documented as part of the fungibility analysis. The analysis concluded that capital could be reallocated between entities to address a shortfall, although where the Capital Adequacy Ratio at Group level fell below the approved risk appetite, external sources of capital may be required to be secured. Capital Adequacy Ratio is based on Available Capital relative to Required Capital. The Available Capital is valued off the Bermuda EBS basis.

vi. Identification of ancillary capital instruments that have been approved by the Authority

The BMA has approved the following capital instruments as “Other Fixed Capital”:

- Aggregate principal amount of Junior Subordinated Debentures issued Argo Group US, Inc. to Argonaut Capital Statutory Trust I, and III to X, amount to approximately \$144.3 million;
- Principal amount of Junior Subordinated Debentures issued by Maybrooke Holdings S.A. and assigned during 2017 to Argo Re Ltd., amounting to \$91.8 million for Argo Group;
- Principal amount of Junior Subordinated Deferrable Interest Debentures (“Dekania Notes”) issued by Heritage PLC and assigned to Argo International Holdings Limited, amounting to \$16 million and €3 million; and
- Principal amount of Senior Notes issued by Argo Group US, Inc. amounting to \$140.2 million;
- Principal amount of Series A Preference Shares, issued by Argo Group, amounting for \$144 million.

These amounts are entered the Capital and Surplus schedule of the Group BSCR as ‘Hybrid’ Capital Instruments.

vii. Identification of differences in shareholder’s equity as stated in the financial statements versus available statutory capital and surplus Statutory Capital

The only differences identified with respect to shareholder’s equity result from the exclusion of Goodwill, Intangible Assets, Prepaid Expenses, and Other Non-Admitted (Fixed) Assets, which complies with the applicable BMA regulations. Furthermore, Hybrid Capital Instruments are factored into the reconciliation.

Capital & Surplus

Due to recent changes made by the BMA to regulations and the categorization of certain assets, Deferred Acquisition Costs (“DAC”) are now an element of Statutory Accounting and entered under ‘Sundry Assets’ in the Balance Sheet. The BMA implemented significant changes to the Statutory Financial Statements (“SFS”) including but not limited to:

- Deferred Acquisition Costs have been reclassified as an ‘admitted asset’ from a previous non- admitted asset classification and reported as a ‘sundry asset.’
- Contingent liabilities (“CL”) are liabilities are now reflected as a ‘sundry liability’ in Argo’s statutory accounting.

**b. Regulatory capital requirements**

i. ECR and MSM Requirements at the End of the Reporting Period

Argo Group	YE2019 (MM)	YE2020 (MM)
Minimum Margin of Solvency	\$1,017,578	\$747,653
Enhanced Capital Requirements	\$1,047, 275	\$1,196,765
Bermuda Solvency Capital Requirement Ratio	171%	169%
Enhanced Capital Requirement Ratio	171%	169%

Argo Re	YE2019 (MM)	YE2020 (MM)
Minimum Margin of Solvency	\$260,659	\$296,629
Enhanced Capital Requirements	\$1,042,637	\$1,203,849
Bermuda Solvency Capital Requirement Ratio	140%	133%
Enhanced Capital Requirement Ratio	140%	133%

ii. Identification of Any Non-Compliance with the MSM and the ECR

There have been no incidents of Argo Group or Argo Re non-compliance with the Minimum Solvency Margin or Enhanced Capital Requirement during YE2020.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

As no incidents of non-compliance have occurred during YE2020, no remedial measures were required.

iv. Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

As no incidents of non-compliance have occurred during the reporting period for the YE2020 FCR, there are no open actions related to such an event.

**c. Approved Internal Capital Model**

i. Where a partial internal model is used, a description of how it is integrated with the BSCR Model

Argo Group has adopted an ‘internal’ economic capital model (ECM). The purpose of the model is to provide Argo’s executive management and Board with an internal view of the economic capital required to run the company and assume the risks associated with operating the Group. The ECM has been developed over a number of years, cognizant of Solvency II requirements placed on Argo Managing Agency, but adapted to the needs of the whole Argo Group. The ECM is used to calculate the Group Solvency Self-Assessment (“GSSA”) as reported within the annual GSSA report and associated BSCR.

The ECM is not used to calculate regulatory capital and therefore has not been submitted to the Bermuda Monetary Authority for formal approval.

Underwriting Risk	Reserve Runoff Risk	Market / FX Risk	Liquidity Risk	Operational Risk	Strategic Risk	Diversification Risk
Non-Catastrophe Risk		Spread Risk		People, Process & Systems Risk	Reputational Risk	Diversification among sub- risks
Catastrophe Risk		Investment Default Risk		External Event Risk	Other Strategic Risk	Diversification among risks
		Interest Rate Risk		Group Risk		

ii. Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model

Argo Group operates a “full” economic capital model as outlined above. The ECM is used to calculate the GSSA capital but is not used in relation to the BSCR regulatory capital calculation. The ECM is, therefore, not integrated with the BSCR model

iii. Description of Methods Used in the Internal Model to Calculate the ECR

A full stochastic capital model is used for all risk components:

- Parametric underwriting risk distributions fitted considering business planning assumptions and past data
- Reinsurance terms and conditions modeled explicitly using loss simulations
- Reserve risk distributions fitted considering bootstrapping results
- External proprietary catastrophe model-based catastrophe modeling events and losses used
- Integrated Economic Scenario Generator to supply effects of macroeconomic variables
- Credit default risk modeled, considering rating of counterparties
- Operational risk modeled, considering likelihood and severity of events in the corporate risk register
- 1-200 VaR metric used for internal definition of solvency capital requirement (“SCR”)
- Economic capital target defined as 25% over the SCR

iv. Description of Aggregation Methodologies and Diversification Effects

Aggregations within the Economic Capital Model are based on Copula dependency structures between:

- Attritional and large losses
- Accident years
- Classes of business
- Reserve and underwriting risk
- Insurance risk and operational risk

Additional dependency is enforced through consistent use of Economic Scenario Generator throughout the model. Additional riskdriven dependency is included between credit default likelihood and industry catastrophe losses.

v. Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model Versus the BSCR Model

The most significant difference between the internal capital model and the BSCR is that the ECM is based on stochastic modeling approaches, whereas the BSCR is a deterministic model.

The ECM also has the following features:

- Utilizes the Company’s own risk profile rather than generic industry factors.
- Considers all sources of risk that the Company considers itself to be exposed to.
- Recognizes explicitly the implied volatility and reinsurance benefits.
- Incorporates Company-specific and representative dependency assumptions.
- Allows granular modeling of specific lines of business and bespoke model output for management purposes.

vi. Description of the Nature & Suitability of the Data Used in the Internal Model

The Economic Capital Model draws on information from three sources:

1. The Inputs Access database is populated by various data owners in line with Argo’s statistical quality standards requirements (either through the ECM interface or directly from Microsoft Excel templates). Data from this source is fed into the ECM directly using SQL links. Data sources have been subject to review through the independent model validation process conducted by the enterprise risk management function.

2. Catastrophe modeling data simulated from RMS models. These are both proprietary models and subject to external independent validation. Data from this source is fed into Igloo directly using SQL links.
3. Economic Scenario Generator data provided quarterly from Moody's Analytics, our Economic Scenario Generator provider.

The sources of data and their reliability have been evaluated through Internal Model validation and found, subject to minor findings reported in the validation report, to be appropriate and fit for the purpose intended.

vii. Any Other Material Information

Argo Group uses its Economic Capital Model to calculate its 'internal' economic capital for GSSA economic capital calculation purposes and as part of its wider enterprise risk management framework.

Argo Group has established an Internal Model Validation Policy and has completed independent model validation. This validation is now managed by the Actuarial function which is separate in terms of functional reporting lines from the Capital Modeling function, reports to the Chief Risk & Sustainability Officer since 2019.

The purpose of Argo Group Internal Model Validation is to:

- Provide confidence in the appropriateness of the model for the intended uses within the Argo Group risk appetite articulated for model error.
- Establish an appropriate level of comfort around the output of the model for:
  - Setting and monitoring of regulatory and economic capital for Argo Group and appropriate entities;
  - Evaluating strategic decisions;
  - Informing capital allocation;
  - Stochastic assessment of risk exposures versus agreed tolerance limits; and
  - Reinsurance optimization.
- Ability to use the model for regulatory filings.
- Identify weaknesses and potential improvements in the model to enhance the model's design and results.
  - Understand and seek to mitigate model risk.

## **Part 6 Subsequent Events**

### Rating Agency

Subsequent to year-end, on March 12, 2021, A.M. Best Company revised Argo Group's outlook to stable from negative and affirmed the Financial Strength Rating of "A-" (Excellent) and the Long-Term Issuer Credit Ratings ("Long-Term ICR") of "a-" of Argo Re Ltd. and its subsidiaries, with the exception of Argo Seguros (which is not rated). A.M. Best also revised the outlooks to stable from negative and affirmed the Long-Term ICR of "bbb-" and the Long-Term Issue Credit Ratings (Long-Term IR) of the parent, Argo Group International Holdings, Ltd. Additionally, A.M. Best revised the outlooks to stable from negative and affirmed the Long-Term ICR of "bbb-" and the Long-Term IR of Argo Group US, Inc.

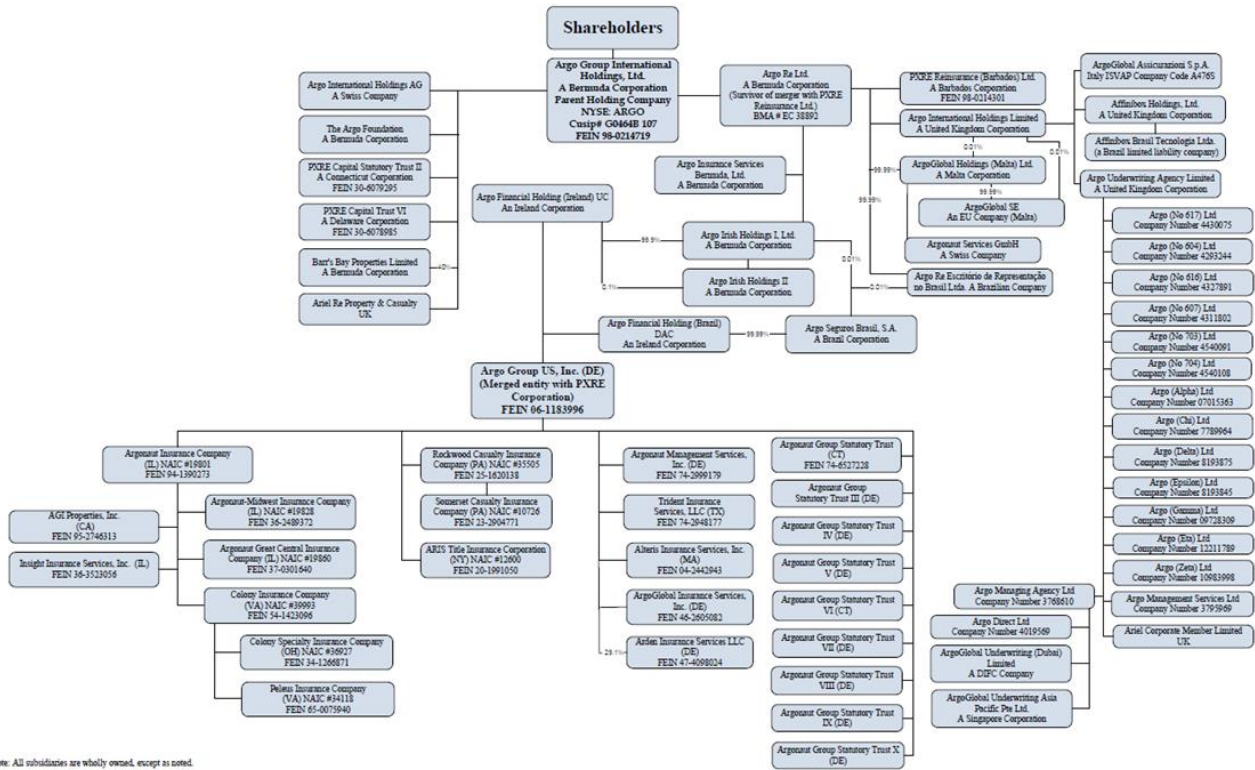
### Form 10-K

During the review and audit of Argo Group's 2020 Form 10-K, management identified and corrected certain immaterial errors in Argo Group's historical financial statements primarily related to the accounting for (1) foreign currency exchange gains and losses associated with a specific reinsurance contract and (2) errors in the Company's tax provision primarily related to the Company's allocation of certain corporate level expenses to its subsidiary companies, as well as other previously identified immaterial errors.

Management re-evaluated its assessment of the effectiveness of its internal control over financial reporting. Management concluded that certain design and operating effectiveness deficiencies in the Company's internal controls, when evaluated collectively, aggregated to a material weakness in internal control. The deficiencies in the Company's internal controls included deficiencies related to the timeliness and completeness of internal communication of certain relevant financial information within the Company as well as in controls that used such information. These matters were identified in the following areas: intercompany transactions, such as foreign currency exchange gains and losses associated with a specific reinsurance contract, the allocation of certain corporate-level expenses to subsidiary companies, the accounting for federal and state income taxes, including the tax implications of certain intercompany transactions, the completeness and accuracy of information used in recording deferred tax balances, and the timeliness of analyses of income tax accounting. There have been no material misstatements identified in the Company's previously issued financial statements

# Part 7 Appendices

## Appendix A – Organizational Chart



Note: All subsidiaries are wholly owned, except as noted.  
4-20-21

## Appendix B – Directors and Senior Managers

### Argo Group Director Biographical Information

Bernard C. Bailey	
<p><b>Age:</b> 67  <b>Director Since:</b> 2020  <b>2020 Committees:</b>            Audit            Human Resources  <b>Other Current Public Directorships:</b>            Telos Corporation  <b>Other Previous Public Directorships During Last Five Years:</b>            Analogic Corp</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• President of Paraquis Solutions, a private consulting company focused on corporate governance and strategy (January 2020 – present).</li> <li>• During the period September 2018 to December 2019, he served as President of the Committee for Economic Development, a business-led, nonpartisan economic think tank.</li> <li>• Served as Chairman and CEO of Authentix, a private equity-backed global enterprise focused on anticounterfeiting and brand protection practices, from 2012 to 2018. Since its sale by the Carlyle Group to Blue Water Energy, he has continued to serve as Chairman of the Board of Authentix since September 2018.</li> <li>• Prior to that, he ran his own consulting company, Paraquis Solutions, LLC. Dr. Bailey also served as President and CEO of Viisage Technology, Inc.</li> <li>• Ph.D. in Management from Case Western Reserve University where his dissertation focused on corporate governance; MBA from The George Washington University School of Business as well as degrees in engineering and systems management from the University of California, Berkeley, University of Southern California, and the United States Naval Academy.</li> </ul> <p><b>Key Qualifications:</b>            Dr. Bernard Bailey’s career spans over three decades of business and management experience, including experience as a public-company Chief Executive Officer, as well as extensive board experience. He has expertise in the security and technology industries, serving both public and private sector customers.</p>

Thomas A. Bradley	
<p><b>Age:</b> 63  <b>Director Since:</b> 2018  <b>2020 Committees:</b>            Audit            Human Resources  <b>Other Current Public Directorships:</b>            None  <b>Other Previous Public Directorships During Last Five Years:</b>            None</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Retired from Allied World Assurance Company Holdings, AG, a global provider of insurance and reinsurance solutions, in July 2017. He had served there as the Chief Financial Officer and Executive Vice President since 2012.</li> <li>• Prior to that, Mr. Bradley had previously served as the Executive Vice President &amp; Chief Financial Officer for two other public companies, Fair Isaac Corporation and the St. Paul Companies.</li> <li>• Also held senior financial and operational positions at Zurich Insurance Group, including Chief Financial Officer for North America and Chief Executive Officer of the Universal Underwriters Group (now Zurich Direct Markets).</li> <li>• Formerly a director of Nuveen Investments, Inc.</li> <li>• Received a Bachelor’s degree in accounting from the University of Maryland and a Masters in Business Administration from Loyola University of Maryland and is a Certified Public Accountant (inactive).</li> </ul> <p><b>Key Qualifications:</b>            Our Board considered Mr. Bradley’s extensive accounting, internal control, and audit functions. Mr. Bradley also possesses financial reporting expertise and a level of financial sophistication that qualifies him as a financial expert in his role as a member of the Audit Committee.</p>

Fred R. Donner	
<p><b>Age:</b> 63  <b>Director Since:</b> 2020  <b>2020 Committees:</b>            Audit (Chair)            Risk &amp; Capital  <b>Other Current Public Directorships:</b>            None  <b>Other Previous Public Directorships During Last Five Years:</b>            None</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Senior Managing Director in the Global Insurance Practice of FTI Consulting (2018-present).</li> <li>• Former Executive Vice President, Enterprise Risk Management for Travelers Insurance Co. (“<i>Travelers</i>”) and Chief Financial Officer for its Business and International Insurance segment from 2014 until his retirement in 2017.</li> <li>• Joined Travelers in 2009 as Senior Vice president and Chief Financial Officer of its Personal Lines Insurance segment. Also served as Chief Financial Officer and Chief Operating Officer of its Business Insurance segment from 2010 to 2014.</li> <li>• Prior thereto, served as Executive Vice President and Chief Financial Officer of RenaissanceRe Ltd., a New York Stock Exchange listed, Bermuda-based international reinsurance company.</li> <li>• Began his career in the audit practice in KPMG’s New York City office and during his 23 years at the firm he rose through the ranks to become the National Partner-in-Charge of the firm’s Insurance Practice, overseeing the delivery of audit, advisory and tax services to all facets of the insurance industry.</li> <li>• Holds a bachelor’s degree in business administration from Pace University and currently serves on the advisory board for the University’s Lubin School of Business. He is a member of the American Institute of Certified Public Accountants.</li> </ul>
	<p><b>Key Qualifications:</b>            Our Board considered that Mr. Donner is a senior finance executive with over 30 years of experience in the insurance industry. He has extensive experience in financial and operational roles and advising corporations through restructurings, international expansion, risk management and capital market transactions.</p>

Anthony P. Latham	
<p><b>Age:</b> 70  <b>Director Since:</b> 2019  <b>2020 Committees:</b>            Nominating            Risk &amp; Capital  <b>Other Current Public Directorships:</b>            None  <b>Other Previous Public Directorships During Last Five Years:</b>            Ecclesiastical Insurance</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Independent director of the Company’s wholly owned subsidiary, Argo Managing Agency Limited, which underwrites insurance risks for the Company’s syndicate at Lloyd’s of London, since 2016.</li> <li>• Previously a board member of Pool Re for over two decades where he served as chairman for more than 12 years.</li> <li>• Previously a board member of Codan A/S, Airclaims, Flagstone Re, British Aviation Insurance and Ecclesiastical Insurance where he chaired its Risk Committee.</li> <li>• Began his career with Sedgwick (now part of Marsh Inc.) before joining RSA Group where, over a period of 17 years, he served as a member of the group executive and held a number of senior executive roles, including managing director of the global risks division.</li> </ul>
	<p><b>Key Qualifications:</b>            Our Board considered Mr. Latham’s significant international insurance industry management and operational experience gained as a senior executive of a global insurance business and governance experience. Mr. Latham has international insurance industry experience spanning more than four decades.</p>



Dymphna A. Lehane	
<p><b>Age:</b> 57</p> <p><b>Director Since:</b> 2017</p> <p><b>2020 Committees:</b> Audit Human Resources (Chair)</p> <p><b>Other Current Public Directorships:</b> None</p> <p><b>Other Previous Public Directorships During Last Five Years:</b> Aviva Insurance Ireland</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Portfolio of insurance related board roles including former Independent Chair of the Debt Market Integrator, a United Kingdom Government (Cabinet Office) venture serving a number of government departments (2016-2020), Chairman of ORIC International, the Insurance Industry Risk Consortium (2015-2020), and non-executive director of Aviva Ireland Life and Pensions and Aviva Ireland Health.</li> <li>• From 1988 to 2007, Ms. Lehane was a Senior Partner at Accenture, including serving as Global Managing Partner, Insurance Industry.</li> <li>• Holds a BSc Computer Science from the University of Witwatersrand and an MBA from the International Institute for Management Development in Lausanne, Switzerland. Also completed the University of Oxford's Leading Sustainable Corporations program in 2021.</li> </ul> <p><b>Key Qualifications:</b> Our Board considered Ms. Lehane's specialized expertise in the global insurance industry and experience in the areas of corporate governance and risk management specific to the financial services industry. Ms. Lehane's 30-year international career includes significant experience dealing with strategic issues and technology-led business change at global insurance companies.</p>

Samuel G. Liss	
<p><b>Age:</b> 64</p> <p><b>Director Since:</b> 2019</p> <p><b>2020 Committees:</b> Nominating (Chair) Human Resources</p> <p><b>Other Current Public Directorships:</b> Verisk Analytics, Inc.</p> <p><b>Other Previous Public Directorships During Last Five Years:</b> DST Systems, Inc.</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Managing principal of Whitegate Partners LLC, an advisory firm to operating companies and private equity firms specializing in the financial services and business services sectors, since 2011.</li> <li>• Adjunct Professor at both New York University Stern School of Business and Columbia Law School.</li> <li>• From an operational perspective, Mr. Liss served as Executive Vice President and member of the Management Committee at Travelers, where he was responsible for corporate development, as well as group business head of one of Travelers' three operating divisions - Financial, Professional and International Insurance.</li> <li>• Prior to Travelers and an Executive Vice President role at the St Paul Companies, Mr. Liss was a Managing Director in the investment banking and equity divisions at Credit Suisse. He began his career at Salomon Brothers.</li> <li>• Previously served on the board of directors of Ironshore Insurance, Inc. and Nuveen Investments, Inc.</li> <li>• Mr. Liss received a Bachelor of Arts degree from Wesleyan University, pursued graduate studies at the London School of Economics and received a Masters of Business Administration from New York University.</li> </ul> <p><b>Key Qualifications:</b> Our Board considered Mr. Liss' management and operational experience gained as a senior executive of a global insurance business, expertise in investment banking and capital markets, and a broad range of public company governance experience.</p>

<b>Carol A. McFate</b>	
<p><b>Age:</b> 67  <b>Director Since:</b> 2020  <b>2020 Committees:</b>  Investment  Nominating  <b>Other Current Public Directorships:</b>  Rent-A-Center, Inc.  <b>Other Previous Public Directorships During Last Five Years:</b>  None</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Former Chief Investment Officer of Xerox Corporation, a global corporation that sells print and digital document products and services, from late 2006 until she retired in October 2017. She was responsible for the insourcing, oversight and management of retirement investments for the US, Canada and the UK.</li> <li>• Prior to that, Ms. McFate served in a number of senior executive finance and investment management roles in the insurance industry over nearly two decades, including Executive Vice President and Global Treasurer of XL Global Services (the shared services subsidiary of XL Capital Ltd); Vice President &amp; Treasurer of American International Group, Inc.; and Senior Vice President, Prudential Investment Corp. (investment subsidiary of The Prudential Insurance Company).</li> <li>• Ms. McFate was elected to the Board of Directors of Rent-A-Center, Inc. in June 2019, where she serves on the Audit and Risk Committee and the Nomination and Corporate Governance Committee.</li> <li>• In July 2019, Ms. McFate joined the Board of Verger Capital Management, LLC, a registered investment manager, and serves as the Chair of the Audit &amp; Compliance Committee and as a member of the Investment and Executive Committees.</li> <li>• Previously, she served on the Board of Directors of CIEBA, Inc. and the Board of Trustees of The Katharine Hepburn Cultural Arts Center and the Parsons Dance Foundation.</li> <li>• Ms. McFate earned an MBA from the Harvard University Graduate School of Business (Harvard Business School) and a B.S. in Economics from Juniata College. She is also a Chartered Financial Analyst (CFA).</li> </ul> <p><b>Key Qualifications:</b>  Our Board considered Ms. McFate’s extensive experience in senior positions over her 40-year career in executive roles in the insurance and financial services industries. Her experience in finance and investment management brings expertise in global capital and investment markets, multi-discipline risk management, capital and liquidity management, and insurance company financial management.</p>

<b>Al-Noor Ramji</b>	
<p><b>Age:</b> 66  <b>Director Since:</b> 2017  <b>2020 Committees:</b>  Risk &amp; Capital (Chair)  Investment  <b>Other Current Public Directorships:</b>  Virtusa Corporation  <b>Other Previous Public Directorships During Last Five Years:</b>  Evry AS</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Group Chief Digital Officer at Prudential plc, an international financial services group, since January of 2016 and is responsible for developing and executing an integrated, long-term digital strategy for the group.</li> <li>• Before joining Prudential, he worked at Northgate Capital, a venture firm in Silicon Valley, from November 2014 to December 2015 where he ran technology-focused funds.</li> <li>• Prior to working at Northgate Capital, Mr. Ramji served as Chief Strategy Officer of Calypso Technology, Inc. from March 2014 until July 2015. Prior to this, he was a director of Misys plc, a financial services group, and also served as an executive vice president of Misys Plc.</li> <li>• Previously held leading technology and innovation roles at BT Group, Qwest Communications, Dresdner Kleinwort Benson and Swiss Bank Corporation.</li> </ul> <p><b>Key Qualifications:</b>  Our Board considered Mr. Ramji’s extensive background in information technology services and digital strategies which play an integral role in the Company’s operations.</p>

Kevin J. Rehnberg	
<p style="text-align: center;"><b>Age:</b> 57</p> <p><b>Director Since:</b> N/A</p> <p><b>2020 Committees:</b> Investment Risk &amp; Capital</p> <p><b>Other Current Public Directorships:</b> None</p> <p><b>Other Previous Public Directorships During Last Five Years:</b> None</p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• President and Chief Executive Officer of the Company since February 2020; Interim President and Chief Executive Officer of the Company from November 2019 until February 2020.</li> <li>• Prior thereto, Mr. Rehnberg was President of the Americas and Chief Administrative Officer of the Company since January 2019.</li> <li>• From March 2013 to January 2019, served President of Argo Group’s U.S. Operations.</li> <li>• Prior to joining the Company, Mr. Rehnberg served as executive vice president for specialty lines at OneBeacon Insurance where he oversaw specialty business.</li> <li>• Began his career at Chubb in 1986 and held a number of roles with increasing responsibility at Chubb Atlantic, Liberty, St. Paul and St. Paul Travelers through 2005.</li> <li>• Holds a bachelor’s degree in History from Princeton University.</li> </ul>
	<p><b>Key Qualifications:</b></p> <p>Our Board considered Mr. Rehnberg’s wealth of experience in the specialty property and casualty insurance sector and his critical understanding of Argo Group operations.</p>

Kathleen A. Nealon	
<p style="text-align: center;"><b>Age:</b> 67</p> <p><b>Director Since:</b> 2011</p> <p><b>2020 Committees:</b> Audit Risk &amp; Capital</p> <p><b>Other Current Public Directorships:</b> None</p> <p><b>Other Previous Public Directorships During Last Five Years:</b> None</p> <p style="text-align: center;"><b>Retired May 6, 2021</b></p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Independent director of the Company’s wholly owned subsidiary, Argo Managing Agency Limited, which underwrites insurance risks for the Company’s syndicate at Lloyd’s of London, since 2013.</li> <li>• Group head of legal and compliance at Standard Chartered plc in London from 2001 until 2004 where she also held additional international legal and compliance positions from 1992 to 2001.</li> <li>• Prior to Standard Chartered plc, Ms. Nealon practiced international banking and regulatory law in New York for 14 years.</li> <li>• Ms. Nealon is also the Co-Chair of the European Advisory Board of Georgetown Law School and served on the advisory council of the Institute of Business Ethics for many years.</li> <li>• In 2012, Ms. Nealon was named to the board of Health Education England, an executive non-departmental public body, sponsored by the Department of Health that manages health education in England. Ms. Nealon also serves on the Finance and Planning Committee of Westminster Cathedral in London, England.</li> <li>• Was a Senior Associate at Judge Business School, Cambridge University for Executive Education Training with an emphasis on Corporate Governance and Business Ethics. Ms. Nealon also served as a member of the Advisory Board of the Centre for Business Research specializing in Corporate Governance at Cambridge University.</li> <li>• Earned an AB degree in English from Georgetown University in 1975 and a JD degree from Georgetown University School of Law in 1978. Ms. Nealon received the Women’s Forum Award for outstanding female Alumnae in 2008 and the Deans Award for outstanding Alumna for her contributions to the culture of Georgetown and the practice of law in 2018.</li> </ul>
	<p><b>Key Qualifications:</b></p> <p>Our Board considered Ms. Nealon’s specialized expertise in the areas of corporate governance, compliance and risk management specific to the banking and financial services industries. Ms. Nealon’s international career includes significant experience with risk management, compliance and regulatory issues of global companies.</p>

<b>John H. Tonelli</b>	
<p><b>Age:</b> 56</p> <p><b>Director Since:</b> 2010</p> <p><b>2020 Committees:</b> Investment (Chair) Nominating</p> <p><b>Other Current Public Directorships:</b> None</p> <p><b>Other Previous Public Directorships During Last Five Years:</b> Garnero Group Acquisition</p> <p><b>Retired May 6, 2021</b></p>	<p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Managing Director and Head of Debt Capital Markets &amp; Syndication at Oppenheimer &amp; Co., Inc. since June of 2015.</li> <li>• Previously, he was the Chief Executive Officer of Advanced Global Capital, a New York-based private investment-company, from 2012 until 2015 and Chairman of Advanced Global Securities, a FINRA registered Broker-Dealer based in New York.</li> <li>• Director of Garnero Group Acquisition Company from May 2014 to January 2016 where he also served as Chairman of its Audit Committee.</li> <li>• From 2009 to 2013, Mr. Tonelli was Chief Financial Officer of Corporacion America, S.A., a global transportation and infrastructure company. Mr. Tonelli continues to serve as a financial advisor to Corporacion America.</li> <li>• From 2003 to 2009, Mr. Tonelli was a Senior Managing Director with J.P. Morgan &amp; Co., Inc. and Bear Stearns &amp; Co. Inc. where he was Head of International Structured Finance.</li> <li>• From 1999 to 2003, he was CEO of International Venture Partners, LLC, a NASD member broker-dealer specializing in emerging markets.</li> <li>• From 1992 to 1999, Mr. Tonelli was an attorney with Cadwalader, Wickersham &amp; Taft where he was head of the Latin American practice group.</li> <li>• Earned a BA from Columbia University in 1987 and earned a JD/MBA from Fordham University in 1993.</li> </ul> <p><b>Key Qualifications:</b></p> <p>Our Board considered Mr. Tonelli’s specialized expertise in finance and emerging markets knowledge beneficial to the Company’s international operations. Mr. Tonelli has over 25 of experience in finance, working both as an investment banker and as an attorney. Mr. Tonelli has advised numerous companies and governments on direct investments, securities issuance, privatizations and infrastructure financings.</p>

## Senior Management Biographical Information

### *Executive Officers:*

#### **Kevin J. Rehnberg – President & Chief Executive Officer**

See above for biography

#### **Jay S. Bullock – Former Executive Vice President & Chief Financial Officer**

Jay Bullock was Chief Financial Officer of Argo Group from May 2008 until March 16, 2021. 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).

#### **Scott Kirk – Chief Financial Officer**

Scott Kirk joined Argo Group in February 2021 and has been the Chief Financial Officer of Argo Group since March 16, 2021. He was previously employed by Aspen Insurance Holdings Limited ("Aspen"), a global property and casualty insurance and reinsurance company, holding various roles beginning in 2007 and most recently served as Aspen's Group Chief Financial Officer from 2014 until April 2020. Prior to joining Aspen, Mr. Kirk worked at Endurance Specialty Holdings Ltd. between 2002 and 2007, holding several senior finance roles. Previously, Mr. Kirk was at Trenwick International Ltd. in London working in finance and treasury. Mr. Kirk began his career as an auditor at KPMG, Brisbane and is a member of the Institutes of Chartered Accountants in both England and Wales and Australia.

#### **Andrew M. Borst – Group Chief Administrative Officer**

Andrew Borst became the Chief Administrative Officer of Argo Group in June 2020 and was designated as an executive officer in February 2021. He had previously served as the Chief Administrative Officer - International Operations of Argo Group from April 2019 to June 2020, and Chief Administrative Officer – US Operations of Argo Group US, Inc. from August 2018 to April 2019. Mr. Borst joined the Company in March 2014 and led the Specialty Programs business unit for Argo Group US, Inc. until August 2018. Prior to joining the Company, Mr. Borst spent eleven years with OneBeacon Insurance Company in various management and finance roles as well as six years with Travelers Property Casualty Corporation where he graduated from its Financial Management Development Program in 1999. He graduated with honors from Boston University School of Management with a Bachelor of Science in business administration with concentrations in Finance and Management Information Systems.

#### **Timothy D. Carter – Chief Underwriting Officer**

Timothy Carter became Chief Underwriting Officer of Argo Group in June 2020. Prior to joining Argo Group, Mr. Carter served as Chief Underwriting Officer and President of Portfolio Solutions for Global Commercial Insurance at AIG. He previously spent 17 years at Zurich Insurance where he held a number of senior underwriting positions, including Chief Underwriting Officer of both North America and Europe. Mr. Carter started his career as a consulting actuary at Watson Wyatt. He graduated from Nottingham University in the United Kingdom with a degree in Mathematics and is a Fellow of the Institute of Actuaries.

### **Matthew J. Harris – Group Head, International Operations**

Matthew Harris became Head of International Operations of Argo Group effective January 2019. Prior to then, Mr. Harris had served as Head of Europe, Middle East and Asia of Argo Group since August 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 10 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).

### **Allison D. Kiene – Senior Vice President, General Counsel**

Allison Kiene has served as the Company’s General Counsel since October 2020. She came to Argo Group from Sampo International Holdings Ltd., a wholly-owned subsidiary of Sampo Holdings, Inc. established in 2017 as the result of the acquisition of Endurance Specialty Holdings Ltd. (“ENH”), where she served as Assistant General Counsel and Chief Compliance Officer. Ms. Kiene joined ENH following ENH’s acquisition of Montpelier Re Holdings Ltd. (“MRH”) in July 2015. From 2007- 2015, Ms. Kiene served as Assistant General Counsel, Assistant Group Secretary and Head of Group Compliance Officer for MRH. While at MRH, Ms. Kiene also served as General Counsel and Chief Compliance Officer for MRH’s investment management company, Blue Capital Management Ltd. Ms. Kiene received her Bachelor of Science degree in Pharmacy from the University of Connecticut School of Pharmacy and her Juris Doctor degree from the University of Connecticut School of Law. Ms. Kiene is admitted to the Bar in Connecticut, Massachusetts, and New York.

*Argo Group*

### **Tony Cicio – Senior Vice President, Chief Human Resources Officer**

Tony Cicio joined Argo Group in April 2019. He is an experienced, strategic business leader with a dual career path in finance and human resources. His career includes serving as the vice president, human resources at Samsung Electronics, the vice president of human resources at Danone North America and the Chief financial officer at The Dannon Company. Mr. Cicio began his career as an auditor with Deloitte. He holds a Bachelor of Science degree in Accounting from University of Delaware.

### **Glenn Gardner – Chief Information and Digital Officer, Argo Group**

Mr. Gardner joined Argo Group in March 2021 and oversees the combined Information Technology & Digital functions renamed Digital Technology Services (DTS). Prior to joining the Company, Mr. Gardner served as Chief Information Officer for Arch Insurance Group where he was responsible for the technology for their US & International Insurance companies. Prior to Arch, he served as Chief Information Officer for Allied World Assurance Company with global responsibility for Insurance and Reinsurance technology solutions. He also served as Chief Technology Officer for Axis Capital and Chief Information Officer for Transatlantic Reinsurance Company. He started his career at Travelers Insurance and graduated from Fairfield University with a BA in Economics and Minor in Computer Science. Mr. Gardner earned an MBA in Management Information Systems from St. Peter’s University.

### **Oscar Guerrero – Former Senior Vice President and Chief Accounting Officer**

Oscar Guerrero previously served as Argo Group’s Chief Accounting Officer until March 31, 2020. Mr. Guerrero joined Argo Group in 2016 from AIG Inc., where he was the Global Head of Finance for AIG Financial Lines. Previous to this role, he was Chief Operating Officer for the AIG Global Specialty – Small and Mid-sized Enterprises and Program business, Global Head of FP&A – Property & Casualty, Chief Accounting Officer – US Operations Controller and Controller – Personal Lines. Prior to AIG, he held a number of senior financial roles for XL Capital, Admiral Insurance Company, Scottish Re and Frontier Insurance Group. He is a Summa Cum Laude graduate of Mount St. Mary College of Newburgh, New York, with a Bachelor of Science degree in Accounting. Mr. Guerrero also holds the designation of Certified Public Accountant as well as Chartered Global Management Accountant.

### **Alex Hindson - Chief Risk and Sustainability Officer**

Alex Hindson joined Argo Group as Chief Risk Officer in May 2015. He is responsible for the implementation of enterprise risk management across the company, as well as for Argo’s corporate compliance function and the company’s credit rating agency relations. He is also responsible for overseeing Argo Group’s internal capital modeling and the purchase of corporate insurance as well as the corporate Sustainability program. Previously, he was responsible for risk, compliance and legal functions across the company’s Bermuda branch and Zurich operation. Prior to that, he held other risk management roles at Amlin plc and Aon Global Risk Consulting. Mr. Hindson is a chemical engineer and worked for AstraZeneca in a variety of roles. He is a Certified Fellow, past Chairman of the Institute of Risk Management member of the Business Continuity Institute (BCI) and holds a master’s degree in integrated environmental management.

### **Robert Katzman – Senior Vice President and Chief Actuary**

Robert Katzman joined Argo Group in April 2016 from AIG Inc., where he was the Head of Global Casualty Pricing and Analytics. There he was a catalyst for transforming the casualty pricing operation by blending predictive analytics and traditional actuarial techniques to refine and enhance pricing models. Throughout his nearly 30 years of industry experience, Katzman has held senior roles at Travelers, Crum & Foster and Reliance National, where he led reserving, pricing, M&A, reinsurance and ERM functions. Katzman is a Fellow of the Casualty Actuarial Society and holds a Bachelor of Science degree in Math and Psychology from Union College.

### **Ian Macartney – Senior Vice President, Head of Group Innovation and Digital**

Ian Macartney joined Argo Group in April 2019 is responsible for developing and executing Argo’s digital strategy tied to operational efficiency. He has 33 years extensive insurance industry experience, both globally and domestically in the life and property and casualty markets. In many of his roles Mr. Macartney has been an effective change agent, bringing proven experience in business transformation and scaling start up’s into fully functional organizations. In his Global roles Ian has proven the ability to lead, build and influence diverse teams of professionals to achieve success in multiple lines of business. Additionally, he has strong business and technology experience. Ian’s understanding of insurance processes coupled with leadership skills has helped unify teams around shared objectives and achieved outstanding growth. Ian’s prior roles include the CEO of the highly successful Marsh Insure tech subsidiary “Torrent Technologies” as well as having Senior business and operational roles within Marsh, both in the US, and the Lloyds market, as well as Senior leadership roles at AIG Internationally and Prudential UK.

### **Kara Payne – Chief Accounting Officer**

Kara Payne joined Argo Group in August 2018 as VP, Strategic Finance Initiatives and was named Chief Accounting Officer of Argo Group in March 2020. Prior to joining Argo Group, Ms. Payne spent five years at Liberty Mutual where she held senior finance roles, including Controller for Liberty Mutual’s Personal Lines business unit. Prior to joining Liberty Mutual, she worked at The Hartford where she held various senior finance roles, including Chief Accounting Officer for the Investment Management Company. Ms. Payne began her career as an auditor at KPMG where she spent over ten years and is a member of the American Institute of Certified Public Accountants. Ms. Payne graduated with honors from the University of Houston with Bachelor of Science degree.

### **Mark H. Rose – Senior Vice President and Chief Investment Officer**

Mark Rose joined Argo Group in February 2013 and serves as Senior Vice President and Chief Investment Officer. Mr. Rose oversees the company's investment strategy. Prior to joining Argo, Mr. Rose was a Senior Credit Analyst at RBC Capital Markets and has held similar roles at Deephaven Capital Management, Goldman Sachs & Co, and Credit Suisse First Boston. He has a bachelor's degree in mathematics from the U.S. Military Academy at West Point and is a CFA charter holder.

### **Brett Shirreffs – Head of Investor Relations**

Brett Shirreffs joined Argo Group in May 2017 as VP of Corporate Finance and assumed the role of Head of Investor Relations in 2019. Mr. Shirreffs came to Argo with more than a decade of experience at Keefe, Bruyette & Woods, Inc. and Lehman Brothers in investment banking and equity research covering the insurance industry. He holds a bachelor's degree in economics from Middlebury College.

### **Mark Wade – Chief Claims Officer**

Mr. Wade joined Argo Group December 2015 following his appointment as Executive Director of the New York State Workers' Compensation Board. Prior to his appointment, Mr. Wade served as Deputy Superintendent for property and casualty insurance at New York State's Department of Financial Services. Before entering public service in 2014, Mr. Wade served in several senior roles with Arch Insurance Group, Zurich North America and Marsh USA. He began his industry career with Chubb Corporation, where he handled directors' and officers' claims. Mr. Wade is a graduate of Georgetown University and the University of Pittsburgh School of Law and is admitted to the New York and Pennsylvania state bars. Beginning in June 2020, Mr. Wade's role expanded to claims across the organization, including the U.S. and International.

*U.S Operations:*

### **William Chen – Senior Vice President and U.S. Chief Financial Officer**

William Chen joined Argo Group in July 2017 as the CFO of the U.S. Operations. Prior to Argo, Mr. Chen had been employed by Zurich North America where he was the Vice President and Finance Director for the company's Specialty Products business from 2012 until 2017. Prior working experiences included Risk Placement Services, Inc., where he had been Controller, and subsequently, Area President of its Uniondale, NY operation and branch offices, as well as AIG and Starr International, where Mr. Chen held several roles of increasing responsibility within finance and operations. Mr. Chen holds a Master of Business Administration from New York University's Stern School of Business, specializing in Accounting and Finance, and also a Bachelor of Business Administration in Marketing from Bernard M. Baruch College of the City University of New York.

### **Susan Comparato -Senior Vice President, U.S. Operations**

Susan Comparato joined Argo in August 2018 as U.S. General Counsel. She has experience as a strategic business leader with a dual career path in law and business operation in insurance and financial services. Prior to Argo, she served as CEO and Board Director of Syncora Holdings Ltd. and General Counsel prior to such appointment. She began her career as a structured products lawyer for Sidley Austin. Comparato is a graduate of Georgetown University and Williams and Mary Law School and is admitted to the New York and New Jersey state bars.

### **Jim Cornwell – Former Senior Vice president, Argo Construction**

Jim Cornwell joined Colony Specialty in May 2010 as the North Regional Manager. In his role, he managed Colony's primary and excess business in the Northeast territory with a focus on profitability, agency and staff performance management. Prior to joining Colony, Conwell focused on construction risk as AVP of Underwriting at Ace Westchester and was the lead underwriter for referrals and staff development for the region. Prior to that, Cornwell held both claims and underwriting positions, as well as various management roles at Fireman's Fund Insurance company. Cornwell graduated from Hofstra University with a bachelor's degree in business administration with an emphasis in banking and finance. Mr. Cornwell resigned on May 7, 2021.



### **David Corry – Senior Vice President, Argo Environmental**

David Corry joined Argo in September 2020 as Head of Environmental. He is responsible for leading all aspects of the environmental practices across the U.S. With 35 years of underwriting experience, David brings to the team deep technical expertise and a strong background in casualty and complex environmental underwriting. He joined Argo from Markel, where he was senior director of environmental and energy insurance. Prior to that, he held management positions at Liberty International Underwriters, Chubb and Crum & Forster. He is also a veteran of the armed forces having served for 29 years in the Air National Guard.

### **Marsh Duncan – Senior Vice President, U.S. Operations**

Marsh Duncan is currently a Senior Vice President of U.S. Operations overseeing the Environmental, Inland Marine, and Contract Property & Casualty Binding underwriting units. Before this role, Marsh has held leadership positions across Argo Group, including Chief Administrative Officer for Argo Surety, Head of U.S. Specialty Programs, and Head of Digital Business Development. Marsh joined Argo in July 2011 to lead and build the Environmental underwriting business. Before Argo, Marsh was with Chubb (Ace Westchester) and Gulf Insurance Group. Marsh earned a Bachelor's Degree in Environmental Economics and Management from the University of Georgia.

### **Gary Grose – Executive Vice President, U.S. Operations, Group Producer Management, Marketing & Communications**

Gary Grose joined Argo in August 2014 as Head of Producer Management. He is responsible for working with each of Argo's businesses globally to build and strengthen profitable relationships with brokers, agents and other business partners. Mr. Grose joined Argo from Marsh where he was responsible for leading all marketing and communications strategy and initiatives across the U.S. He has also held a variety of marketing and producer/distribution management positions at Zurich, Allstate and John Hancock.

### **Frank Mike-Mayer – Chief Underwriting Officer – U.S.**

Mike-Mayer joined Argo Group in January 2016 and is responsible for guiding the development and execution of Argo Group U.S. underwriting strategies and policies supporting retention, growth and profitability of the company's total portfolio of businesses. He joins Argo Group from AIG Commercial, where he served as Head of Technical Underwriting, responsible for driving key global underwriting excellence strategies, developing and implementing global underwriting standards, and establishing a more consistent and robust risk selection framework for underwriters. Before joining AIG Commercial in 2012, Mr. Mike-Mayer served in several senior roles with Zurich North America, ACE and Reliance National. He received an MBA in statistics and actuarial science from the Stern School of Business at New York University.

### **Kurt Tipton – President, Rockwood**

Kurt Tipton joined Rockwood as a management trainee in May 1986 and took over as President of Rockwood in 2015. In May 2011, Mr. Tipton was promoted to Chief Operating Officer and maintains his positions of Senior Vice President and Chief Underwriting Officer. Before that, he had been Vice President of Underwriting since 2000. He is responsible for maximizing long-term underwriting profits. He oversees all aspects of the underwriting, marketing, loss control and claims departments. Mr. Tipton received his Bachelor's Degree in Business Administration from the University of Pittsburgh and his MBA from Frostburg State University. He was previously a partner in an outdoor adventure school and remains active in community service.

*International Operations:*

**Darren Argyle – Chief Financial Officer – Argo Re**

Darren Argyle joined Argo Group in July 2009 as Financial Controller for Syndicate 1200. He was promoted to the role of Finance Director for Syndicate in February 2012 and in January of 2016 was appointed the Chief Financial Officer for all International Businesses of Argo Group. He joined Argo Group from Aegis London where he was Financial Controller of the Syndicate operation of Aegis - a New Jersey-based energy mutual insurer. Mr. Argyle has worked within the Lloyd's market in a number of roles, including eight years as a Financial Controller. Prior to working in the Lloyd's market, Mr. Argyle spent eight years in audit practice, five of those in insurance audit and was a senior auditor at Ernst and Young. Mr. Argyle holds an honours degree in Finance and Accounting from Salford University and also holds the designation of Chartered Accountant (ACA).

**Dominic Kirby – Managing Director, ArgoGlobal**

Dominic Kirby joined Argo Group in May 2015 and Serves as Managing Director of ArgoGlobal Managing Agency. Mr. Kirby brings more than 25 years of industry experience to his new role, including previous service as Head of Ariel Re U.K. Prior to joining Ariel Re in 2015, he was managing director at Torus Underwriting Management Limited. From 2007 to 2011, Mr. Kirby served as Deputy Managing Director, and ultimately managing director at Flagstone Syndicate Management Limited. Previously, he worked for Navigators Group Inc., London and Navigators Underwriting Agency Ltd. Kirby became a Fellow of the Chartered Insurance Institute in 2000. He graduated from Oxford University with a Master of Arts in geological sciences.

**Ryan Mather – Former Global Head of Reinsurance, Argo Group and Chief Executive - Reinsurance, Argo Re**

Mr. Mather joined Argo Group in February 2017 as part of the Ariel Re acquisition where he was Chief Executive Officer. Prior to joining Argo Group, Mr. Mather joined Ariel Re in 2002 as SVP International Property and was promoted in 2008 to Chief Underwriter, Property Reinsurance, and subsequently to Global Head of Reinsurance in 2015, before assuming the CEO role. Prior to Ariel Re, Mr. Mather held a number of roles in the London and Lloyd's market. Mr. Mather has a degree in genetics from Queen Mary College, University of London. He is also an Associate of the Chartered Insurance Institute.

**Kathryn Sara Partington Howarth – Former Group Head of Ceded Reinsurance**

Kathryn Sara Partington Howarth served as Group Head of Ceded Reinsurance until February 2021. Prior to her resignation, Ms. Partington Howarth was responsible for strategy and implementation of the company's treaty reinsurance and retrocessional purchases worldwide. Prior to that, she was Head of Underwriting Risk for Ariel Re, having served in a succession of senior roles at the company since its formation in 2005. Ms. Partington Howarth joined Ariel Re from Benfield Ltd., where she spent four years as a catastrophe risk analyst and broker. She began her reinsurance career at E.W. Blanch in London.

### **Ronald Swanstrom – Senior Vice President, Chief Actuary – Argo Re**

Mr. Swanstrom joined Argo Group in December 2009 and is currently Senior Vice President and Chief Reserving Actuary with the Argo Group. He is responsible for evaluating Argo Group's property/casualty reserves, communicating results to operational and financial management, signing actuarial opinions for Argo's US property/casualty companies and Argo Group in Bermuda, and preparing and reviewing loss reserve related GAAP and statutory documentation. Prior to the Argo Group, Mr. Swanstrom was a Senior Consultant with EMB America LLC. From 1997 through February 2009, Mr. Swanstrom was Senior Vice President and Senior Actuarial Officer with CNA. He was the leader of the group responsible for evaluating CNA's property/casualty reserve levels. Prior to CNA, Mr. Swanstrom was a principal with Coopers & Lybrand LLC in Chicago. Mr. Swanstrom has participated in a variety of professional activities including serving as the President of the Midwestern Actuarial Forum and the Chair of the Joint Committee for the Casualty Loss Reserve Seminar. He has spoken to several actuarial and non-actuarial audiences. He is a past member of the American Academy of Actuaries Committee on Property/Liability Financial Reporting. He is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. He is a graduate of Benedictine University in Lisle, Illinois, with a Bachelor of Science in Mathematics.

### **William Wharton – Head of Argo Insurance Bermuda**

William Wharton joined Argo Re in December 2015 as an Underwriting Manager. Prior to joining Argo Re, he was Head of Financial Lines, Asia at Catlin. Before that, he served as Chief Underwriting Officer for XL Group's professional lines, underwriting activities outside the U.S. and Bermuda. He was Vice President, Professional Lines for XL Insurance in Bermuda, serving U.S. Fortune 500 companies. Mr. Wharton graduated from University of Pittsburgh with a Bachelor of Arts in economics.

### **Matthew Wilken – Former Deputy Global Head of Reinsurance – Argo Re**

Matthew Wilken joined Argo Group in 2008 as Chief Underwriting Officer, Property Risks at Argo Re. In 2013, he was promoted to President of Argo Re. Prior to joining Argo Group, Mr. Wilken held progressively responsible roles in reinsurance underwriting at Kiln & Co. in London. Mr. Wilken has a degree in physics with business studies from Queen Mary College, University of London, and an MBA from Henley Management College. He is also an Associate of the Chartered Insurance Institute.

### **Sherron Williams – Senior Vice President, Professional Lines Underwriter – Argo Re**

Sherron Williams joined Argo Group in March 2009 as Senior Underwriter and was promoted to Senior Vice President, Professional Lines Underwriter in 2019. Ms. Williams started her insurance career at XL Bermuda Limited (now Axa XL Bermuda Limited), a global property and casualty insurance and reinsurance company, holding various roles beginning in 1991. She was SVP and Manager of the Professional Lines unit until early 2008. Ms. Williams graduated from Saint Mary's University, Halifax, Canada with a Bachelor of Commerce Degree. She received her Master's in Business Administration degree from York University, Toronto, Canada.

## Appendix C – Risk Appetite Framework

Type	Source	Preference	Risk Appetite Statement
<b>Insurance Risk</b>	Underwriting Catastrophe Risk	Attitude – Positive	Capacity for catastrophe risk is limited by the expected level of profit on uncorrelated risks, balance sheet strength and the cost and availability of reinsurance. All major catastrophe zones should have a maximum deterministic modeled risk tolerance.
	Underwriting non-Catastrophe Risk	Attitude – Positive	We have a significant appetite for underwriting risk in those market segments where we believe there is demonstrable in-house expertise, and where sufficient business opportunities exist which meet our strategic objectives and our return on capital targets.
	Reserve Risk	Attitude – Balanced	We take a balanced view of reserving risk, which we consider to be inherent in writing a portfolio of insurance business where claims may develop after the policy period has expired. We maintain a practice of carrying reserves at or above the actuarial point estimate. In other words, a margin in excess of actuarial point estimate reserves should be available in order to reduce the risk of adverse developments.
	Cyber Risk – Explicit	Attitude – Balanced	We write explicit cyber risk and take a balanced view to accepting these risks as a small part of a diversified portfolio.
	Cyber Risk – Implicit	Attitude – Balanced	We take a balanced view of cyber risk recognizing that it is a peril, which will legitimately form part of the cover provided by many classes of business.
<b>Financial Risk</b>	Market Risk – Investment Portfolio Risk	Attitude – Positive	We actively seek attractive risk adjusted returns while recognizing: Potential downside impacts on capital and the need for liquidity; Regulatory and rating agency expectations; and Avoiding shareholder impact from a major market downturn.
	Market Risk – FX risk	Attitude – Balanced	We seek to manage foreign exchange exposures to mitigate the economic impact of currency movements impacting the balance sheet and earnings.
	Concentration Risk	Attitude – Negative	We seek to manage concentration risk by setting limits on exposure type, credit rating, asset classes and single counterparties.
	Credit Risk – Reinsurance bad debt	Attitude – Balanced	We recognize the value that reinsurance protection brings by increasing Argo Group's risk capacity and protecting the company against severe catastrophes. Exposures to individual counterparties are limited by their general credit worthiness and ability and willingness to settle claims.
	Credit Risk – Investment	Attitude – Balanced	We recognize that credit risk exposures are an inevitable consequence of providing insurance products to clients via brokers and other distribution channels. We seek to mitigate the extent to which such assets could become uncollectible from any given counter-party in the event of its insolvency or financial impairment.
	Credit Risk – Receivable	Attitude – Balanced	
	Credit Risk – Country risk	Attitude – Balanced	We seek to limit foreign market exposure in our investable assets to avoid liquidity, political and currency risk. We however recognize as a global insurer that we underwrite risks that will result in explicit country exposures. Our practice is therefore to match assets and liabilities exposures.
	Liquidity Risk	Attitude – Negative	We do not wish to be exposed to situations where funds are not available to meet claims when these become due because this would have significant reputational and regulatory impact.
	Asset-Liability Matching	Attitude – Balanced	Argo Group seeks generally to match the duration and currency of its insurance liabilities with suitable assets. It however recognizes that in periods of uncertainty it may be advisable to accept a level of mismatch to manage its overall market risk exposure.

Type	Source	Preference	Risk Appetite Statement
Operational Risk	Internal Events	Attitude – Negative (Fraud)  Attitude – Balanced (Other)	We have limited appetite for failures associated with controls related to internal processes, systems or people. We recognize however that all systems and processes have limitations and humans are susceptible to error. We acknowledge that there is a trade-off to be made between the cost of implementing further incremental improvements and the benefits realized through improved internal controls. Argo Group has no appetite for fraud whether related to internal staff or third parties and has established and enforces a Code of Conduct & Business Ethics and security measures in order to prevent fraud and clearly communicate to all parties the expected level of ethical behavior.
	Model Risk	Attitude – Balanced	We accept that mathematical models are inherently subject to limitations through their design and implementation. We are willing to accept model error to the extent that such models are valuable decision-making tools.
	External Events	Attitude – Negative	Argo recognizes that its operations are exposed to external threats such as terrorism, natural catastrophe, pandemic or computer virus attack. It is essential that critical business operations are sustained through effective business continuity management and crisis response. Severe interruptions that could severely damage our reputation/ability to bind business are considered unacceptable and response plans are required to minimize the risk occurring.
	Compliance / Legal / Regulatory	Attitude – Negative	Argo Group has limited appetite for failures to comply with legal, regulatory and internal policy requirements or unethical or illegal activities committed by the organization and/or its employees. A system of management monitoring and self-monitoring exists for compliance purposes, with guidance provided by the corporate legal and regulatory compliance functional areas.
	Cyber Risk - Operational	Attitude – Negative	Argo recognizes that its operations are exposed to external threats such as cyber-attack. It is essential that critical business operations are sustained through effective preventative cyber security measures and business continuity management. Severe interruptions that could severely damage our reputation are considered unacceptable and response plans are required to minimize the risk occurring.
Climate Change Risk	Physical Risk	Attitude – Balanced	Argo recognizes the physical risks from changing frequencies and intensities of weather-related perils. We take a balanced view of the potential underwriting opportunities for producing protection and resilience solutions to our clients in the face of climate risk.
	Transitional Risk	Attitude – Negative	Argo seeks to contain its exposure to transition risk associated with a move to a low carbon economy due to changes in asset values, changing energy infrastructure and/or carbon regulation or taxation arrangements.
	Liability Risk	Attitude – Negative	Argo seeks to avoid exposure to the impact of litigation associated with allegations of failure to mitigate or adapt to climate change risk or associated disclosure failures.
Strategic	Group Risk	Attitude – Negative	Argo Group seeks to avoid Group Risk and organizes its intra-group financial and governance arrangements in such a manner as to avoid the potential for loss or contagion.
	Reputational Risk	Attitude – Negative	Argo Group considers it to be critical that it preserves its high reputation. Argo Group therefore has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence amongst key external stakeholders. Argo Group has a low appetite for aberrant losses in comparison to its peer organizations.
	Strategic Execution Risk	Attitude – Negative	Argo Group has limited appetite for failure to address any of the fundamentals required to execute the corporate business strategy, as evidenced by material deviations from agreed business or project plans.

## Appendix D – Risk Assessment Criteria

Definitions	Likelihood		Impact		Threat Impact	
	Measure	Score	Financial	Score	Reputational	Score
VH – Very High	An event you can expect to happen <b>(Once per year or more)</b>	VH	\$300MM	VH	Massive and sustained impact on corporate reputation (e.g. intense media attention) leading to severe loss of confidence in brand, serious stakeholder concern and significant impact on the organization's strategy and or operational activities. Crisis Management Plan evoked.	VH
H – High	An event that can be anticipated to happen and this area or a similar organization have experienced such an event <b>(1 in 3 year event)</b>	H	\$100MM	H	Significant and fairly sustained impact on corporate reputation in terms of media attention causing confidence in brand to be impacted, some concern to stakeholders and considerable impact on the organization's strategy and or operational activities. Crisis Management Plan may be evoked.	H
M Medium	A rare event that can be envisaged but has not occurred in this area or in this organization <b>(1 in 10 year event)</b>	M	\$30MM	M	Localized impact on corporate reputation in terms of media attention leading to a few stakeholders getting concerned (e.g. a business partner or supplier). Counter action, which must be supervised by Marketing, is designed to address the situation.	M
L – Low	An event that can be envisaged but hasn't occurred in the company history (e.g., requires a combination of two or more events to occur <b>(1 in 30 year event)</b> )	L	\$10MM	L	Mild and short-lived impact on corporate reputation (e.g. negligible media attention) which can be contained.	L
VL – Very Low	An event that can be conceived but is considered to be very difficult to realize (e.g., requires a combination of several events to occur <b>(1 in 100 year event)</b> )	VL	\$3MM	VL	Negligible impact on corporate reputation, which can be dealt with at business unit level if any action is required.	VL

## APPENDIX E - NAIC CORPORATE GOVERNANCE REQUIREMENTS AND DISCLOSURE

The following synopsis is intended to incorporate the applicable requirements based on the NAIC Corporate Governance Requirements and Disclosure Model Act:

Ref. NAIC REQUIREMENT(S)	Commentary:
1 Description of the board and various committees thereof ultimately responsible for overseeing the insurer or insurance group and the level(s) at which that oversight occurs, such as ultimate control level, intermediate holding company, legal entity, etc.	Described and discussed. See <a href="#">GOVERNANCE STRUCTURE</a>
2 Description and discussion of the insurer's or insurance group's rationale for the current board size and structure.	Described and discussed. See <a href="#">GOVERNANCE STRUCTURE</a> .
3 Description of the duties of the board and each of its significant committees and how they are governed, such as bylaws, charters, informal mandates, etc., as well as how the board's leadership is structured, including a discussion of the roles of chief executive officer and chairman of the board within the organization.	Described. See <a href="#">GOVERNANCE STRUCTURE</a> , and <a href="#">APPENDIX B – DIRECTORS AND SENIOR MANAGERS</a> .
4 Description of the insurer or insurance group identifies, nominates and elects members to the board and its committees.	Described. See <a href="#">Nominating and Corporate Governance Committee</a> and references to in <a href="#">GOVERNANCE STRUCTURE</a> .
5 Confirmation as to whether term limits are placed on directors.	Confirmed. See <a href="#">Term Limits and Retirement</a> .
6 Description of the election and re-election processes function.	Described. See <a href="#">Nominating and Corporate Governance Committee</a> and <a href="#">Director Election, Term Limits and Retirement</a>
7 Confirmation as to whether a board diversity policy is in place and if so, how it functions.	Confirmed. See <a href="#">Nominating and Corporate Governance Committee</a> and <a href="#">Argo Board Diversity</a> .
8 Description of the processes in place for the board to evaluate its performance and the performance of its committees, as well as any recent measures taken to improve performance, including any board or committee training programs that have been put in place.	Described. See <a href="#">Argo Group Board Performance Evaluation</a> .
9 Description of the processes in place to ensure the board complies with the duty to act in good faith and in a manner that the members believe to be in the best interest of the organization.	Described. See Nominating and Corporate Governance Charter and Corporate Governance Guidelines and Terms of Reference (available on <a href="#">Argo Group website</a> )
10 Description of the processes in place to ensure the board complies with the duty to discharge their duties with the care that a person in a like position would believe to be appropriate under similar circumstances.	Described. See Nominating and Corporate Governance Charter and Corporate Governance Guidelines and Terms of Reference (available on <a href="#">Argo Group website</a> )
11 Confirmation as to whether the reporting or information system or controls the organization has implemented enable the board to carry out their duties.	Described. See Nominating and Corporate Governance Charter and Corporate Governance Guidelines and Terms of Reference (available on <a href="#">Argo Group website</a> )

12	Description of the processes in place to ensure the board does not consciously fail to monitor or oversee the organization's operations thereby disabling itself from being informed of risks or problems requiring the board's attention.	Described. See Nominating and Corporate Governance Charter and Corporate Governance Guidelines and Terms of Reference (available on <a href="#">Argo Group website</a> )
13	Description of the insurer's or insurance group's policies and practices for directing senior management, including a description of the following factors: (Any process or practices, such as suitability standards, to determine whether officers and key persons in control functions have the appropriate background, experience and integrity to fulfill their prospective roles, including:	Described. See <a href="#">Argo Group Fit and Proper Process</a> .
14	Identification of the specific positions for which suitability standards have been developed and a description of the standards applied.	Identified and described. See <a href="#">Argo Group Fit and Proper Process</a> .
15	Description of any changes in an officer's or key person's suitability as outlined by the insurer's or insurance group's standards and procedures.	Described. See <a href="#">Argo Group Fit and Proper Process</a> .
16	Description of the insurer's or insurance group's code of business conduct.	Described. See <a href="#">Argo Group's Code of Conduct and Business Ethics</a> .
17	Description of basis for compliance with laws, rules, and regulations.	Described. See <a href="#">Argo Group Risk Management, Compliance Function, Internal Controls</a> and references to <a href="#">Argo Group's Code of Conduct and Business Ethics</a> .
18	Confirmation of existence of proactive reporting of any illegal or unethical behavior.	Confirmed. See Internal Controls and <a href="#">Whistle Blower Procedure</a> .
19	Description of the insurer's or insurance group's plans for CEO and senior management succession.	Referenced. See <a href="#">Human Resource Committee</a> .
20	Description of the insurer's or insurance group's processes by which the board, its committees and senior management ensure an appropriate amount of oversight to the critical risk areas impacting the insurer's business activities including a discussion of: Description of delegation of oversight and management responsibilities as between the board, its committees, and senior management.	Described and discussed. See <a href="#">GOVERNANCE STRUCTURE</a> and <a href="#">Board Oversight</a>
21	Description of process for keeping the board informed of the insurer's strategic plans, the associated risks, and steps that senior management is taking to monitor and manage those risks;	Described. See <a href="#">GOVERNANCE STRUCTURE</a> and Board Oversight
22	Description of reporting responsibilities organizational structure that is applicable to each critical risk area. The description should provide the basis for an understanding of the frequency at which information on each critical risk area is reported to and reviewed by senior management and the board.	Described. See <a href="#">Argo Group Risk Management, ORSA Reporting Process, Solvency Self-Assessment and Risk &amp; Capital Management, Solvency Self-Assessment Approval Process, Compliance Function, Internal Audit Implementation, Actuarial Function</a> and <a href="#">Outsourcing</a> .
23	Description of risk management processes.	Described. See <a href="#">Solvency Self-Assessment and Risk &amp; Capital Management, Self-Assessment Approval Process</a> and <a href="#">Internal Controls</a> .
24	Description of actuarial function.	Described. See <a href="#">Actuarial Function</a> .



25	Description of investment decision-making processes.	Described in context of adherence to the <a href="#">Prudent Person Principle</a> .
26	Description of reinsurance decision-making processes.	Described (Reinsurance recoverables and credit risk only). See <a href="#">Risk Mitigation</a> .
27	Description of business strategy/finance decision-making processes.	Described. See <a href="#">Insurance Business Written by Segment and Geographical Region</a>
28	Description of compliance function.	Described. See <a href="#">Argo Group Compliance Function</a> .
29	Description of financial reporting/internal auditing functions	Described. See <a href="#">Argo Group Solvency Self-Assessment and Risk &amp; Capital Management Internal Controls</a> and <a href="#">Internal Audit</a> .
30	Description of market conduct decision-making processes.	Described. See <a href="#">Argo Group Compliance Function</a> .
31	The CGAD must include a signature of the insurer's or insurance group's chief executive officer or corporate secretary attesting to the best of that individual's belief and knowledge that the insurer or insurance group has implemented the corporate governance practices and that a copy of the CGAD has been provided to the insurer's or insurance group's board or the appropriate committee thereof.	FCR signatories CEO and CRO against a similar attestation. See <a href="#">signature page</a> .
32	The insurer or insurance group shall have the discretion regarding the appropriate format for providing the information required by the CGAD regulations and is permitted to customize the CGAD to provide the most relevant information necessary to provide the basis for an understanding of the corporate governance structure, policies and practices utilized by the insurer or the insurance group.	This allows Bermuda format of FCR to be adopted for a combined document, provided the CGAD document is clearly identified. See whole FCR document.
33	The insurer or insurance group may choose to provide information on governance activities that occur at the ultimate controlling parent level, an intermediate holding company level, and/or the individual legal entity level, depending upon how the insurer or insurance group has structured its system of corporate governance. The insurer or insurance group is encouraged to make the CGAD disclosures at the level at which the insurer's or insurance group's risk appetite is determined, or at which the earnings, capital, liquidity, operations, and reputation of the insurer are overseen collectively and at which the supervision of those factors are coordinated and exercised, or the level at which legal liability for failure of general corporate governance duties would be placed. If the insurer or insurance group determines the level of reporting based on these criteria, it shall indicate which of the three criteria was used to determine the level of reporting and explain any subsequent changes in level of reporting.	This document allows a reporting at Group level but it needs to be made clear that this option has been selected. See whole FCR document.

34	If the CGAD is completed at the insurance group level, then it must be filed with the lead state of the group as determined by the procedures outlined in the most recent financial analysis handbook adopted by the NAIC. In these instances, a copy of the CGAD must also be provided, upon request, to the chief regulatory official of any state in which the insurance group has a domestic insurer.	Document would need to be filed with Virginia and Illinois Departments of Insurance. See whole FCR document.
35	An insurer or insurance group may comply with this section by referencing other existing documents, such as an own risk and solvency assessment (ORSA) summary report, holding company form B or form F filings, securities and exchange commission proxy statements, foreign regulatory reporting requirements, etc. The insurer or insurance group shall clearly reference the location of the relevant information with the CGAD and attach the referenced document if it is not already filed with the department.	Referenced. See <a href="#">Argo Group Risk Management, ORSA Reporting Process, Solvency Self-Assessment and Risk &amp; Capital Management</a> , and Argo Group files an ORSA Summary Report, in which ORSA/GSSA are referenced, which is identical to the NAIC ORSA Summary Report with the Illinois insurance regulator.
36	Each year following the initial filing of the CGAD, the insurer or insurance group shall file an amended version of the previously filed CGAD, indicating 3901-3-19 2 revisions made, or a copy of the prior year filing with a dated statement indicating that no changes have been made in the information or activities reported in the previous year CGAD.	N/A