

Argo Re, Ltd.

Consolidated Financial Statements and Notes to Consolidated Financial Statements

As of and For the Period January 1, 2023 through November 15, 2023 (Predecessor), November 16, 2023 through December 31, 2023 (Successor), and For the Year Ended December 31, 2022

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and For the Year Ended December 31, 2022

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Independent Auditors' Report

To the Board of Directors
Argo Re, Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Argo Re, Ltd. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 (Successor) and 2022 (Predecessor), and the related consolidated statements of income (loss), comprehensive income (loss), shareholder's equity, and cash flows for the period from November 16, 2023 through December 31, 2023 (Successor), the period from January 1, 2023 through November 15, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 (Successor) and 2022 (Predecessor), and the results of its operations and its cash flows for the period from November 16, 2023 through December 31, 2023 (Successor), the period from January 1, 2023 through November 15, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the incurred and paid claims development preceding the most recent year and the average annual percentage payout of incurred claims disclosed in Note 7 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by Financial Accounting Standards Board (FASB) who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

New York, New York
April 26, 2024

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

	Successor	Predecessor
	As of December 31, 2023	As of December 31, 2022
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: 2023 - \$2,521.5, 2022 - \$3,016.4; allowance for expected credit losses: 2023 - \$0.2, 2022 - \$2.8)	\$ 2,585.4	\$ 2,675.5
Commercial mortgage loans (cost: 2023 - \$144.8, 2022 - \$159.9; allowance for expected credit losses: 2023 - \$0.2, 2022 - \$0.2)	144.6	159.7
Equity securities available-for-sale, at fair value (cost: 2023 - \$11.7; 2022 - \$54.7)	10.7	43.9
Other investments (cost: 2023 - \$311.0; 2022 - \$323.2)	311.0	323.2
Short-term investments, at fair value (cost: 2023 - \$429.5; 2022 - \$447.6)	429.5	447.7
Total investments	3,481.2	3,650.0
Cash, restricted cash and cash equivalents	789.4	45.0
Accrued investment income	20.4	18.6
Premiums receivable	230.7	292.0
Reinsurance recoverables	2,959.3	3,029.1
Goodwill	—	118.6
Other intangible assets, net of accumulated amortization	180.6	—
Current income taxes receivable, net	53.1	44.9
Deferred tax asset, net	39.1	101.2
Deferred acquisition costs, net	7.2	107.0
Ceded unearned premiums	356.0	375.5
Receivable from parent and other affiliates, net	52.4	10.1
Operating lease right-of-use assets	51.2	57.7
Other assets	188.2	115.3
Value of business acquired, net of accumulated amortization	143.6	—
Assets held-for-sale	—	2,066.2
Total assets	\$ 8,552.4	\$ 10,031.2
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses	\$ 5,544.5	\$ 5,051.6
Unearned premiums	916.6	1,039.9
Accrued underwriting expenses and other liabilities	71.7	111.3
Ceded reinsurance payable, net	192.7	158.7
Funds held	57.3	50.0
Senior unsecured fixed rate notes	128.0	140.5
Junior Subordinated Debentures	214.2	230.2
Payable to parent and other affiliates, net	—	45.4
Operating lease liabilities	51.4	66.4
Liabilities held-for-sale	—	1,914.5
Total liabilities	7,176.4	8,808.5
Commitments and contingencies (Note 15)		
Shareholder's equity:		
Common shares - \$10.00 par, 112,000 shares authorized; 112,000 shares issued at December 31, 2023 and December 31, 2022, respectively)	1.1	1.1
Additional paid-in capital	1,320.2	791.8
Holdings of parent company common shares (0 and 10,242,512 shares at December 31, 2023 and December 31, 2022, respectively)	—	(405.8)
Retained earnings	2.9	1,138.7
Accumulated other comprehensive income (loss), net of taxes	51.8	(303.1)
Total shareholder's equity	1,376.0	1,222.7
Total liabilities and shareholder's equity	\$ 8,552.4	\$ 10,031.2

See accompanying notes.

ARGO RE, LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in millions)

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Premiums and other revenue:			
Net earned premiums	\$ 162.3	\$ 1,225.8	\$ 1,740.4
Net investment income	28.7	121.3	135.2
Net investment and other gains (losses)	(0.3)	(22.7)	(115.3)
Total revenue	190.7	1,324.4	1,760.3
Expenses:			
Losses and loss adjustment expenses	94.2	1,043.2	1,166.9
Underwriting, acquisition and general expenses	78.4	412.2	671.7
Non-operating expenses	10.3	19.8	25.3
Interest expense	3.2	27.4	25.2
Fee and other (income) expense, net	(0.2)	(0.4)	(1.1)
Foreign currency exchange (gains) losses	0.6	1.9	(5.0)
Impairment of goodwill and intangible assets	—	—	28.5
Total expenses	186.5	1,504.1	1,911.5
Income (loss) before income taxes	4.2	(179.7)	(151.2)
Provision (benefit) for income taxes	1.3	0.3	(8.0)
Net income (loss)	\$ 2.9	\$ (180.0)	\$ (143.2)

See accompanying notes.

ARGO RE, LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Net income (loss)	\$ 2.9	\$ (180.0)	\$ (143.2)
Other comprehensive income (loss) :			
Foreign currency translation adjustments	0.1	1.0	(0.7)
Reclassification adjustment for foreign currency translation included in net income	—	—	31.8
Defined benefit pension plans:			
Net gain (loss) arising during the year	0.8	1.0	(0.9)
Unrealized (losses) gains on securities:			
Gains (losses) arising during the year	64.7	15.2	(428.1)
Reclassification adjustment for losses (gains) included in net income	(0.1)	28.0	43.6
Other comprehensive income (loss) before tax	65.5	45.2	(354.3)
Income tax provision (benefit) related to other comprehensive income:			
Defined benefit pension plans:			
Net gain (loss) arising during the year	0.2	0.2	(0.2)
Unrealized gains (losses) on securities:			
Gains (losses) arising during the year	13.5	1.5	(80.9)
Reclassification adjustment for losses (gains) included in net income	—	5.9	9.2
Income tax (benefit) provision related to other comprehensive income (loss)	13.7	7.6	(71.9)
Other comprehensive income (loss), net of tax	51.8	37.6	(282.4)
Comprehensive income (loss)	<u>\$ 54.7</u>	<u>\$ (142.4)</u>	<u>\$ (425.6)</u>

See accompanying notes.

ARGO RE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(in millions, except number of shares and per share amounts)

	Common Shares	Additional Paid-In Capital	Holdings of Parent Company Common Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholder's Equity
Balance, January 1, 2022 (Predecessor)	\$ 1.1	\$ 791.8	\$ (405.8)	\$ 1,314.9	\$ (20.7)	\$ 1,681.3
Net loss	—	—	—	(143.2)	—	(143.2)
Other comprehensive loss, net of tax	—	—	—	—	(282.4)	(282.4)
Payment of dividend to parent	—	—	—	(33.0)	—	(33.0)
Balance, December 31, 2022 (Predecessor)	1.1	791.8	(405.8)	1,138.7	(303.1)	1,222.7
Net loss	—	—	—	(180.0)	—	(180.0)
Other comprehensive income, net of tax	—	—	—	—	37.6	37.6
Balance, November 15, 2023 (Predecessor)	1.1	791.8	(405.8)	958.7	(265.5)	1,080.3
Balance, November 16, 2023 (Successor)	1.1	1,320.2	—	—	—	1,321.3
Net income	—	—	—	2.9	—	2.9
Other comprehensive income, net of tax	—	—	—	—	51.8	51.8
Balance, December 31, 2023 (Successor)	\$ 1.1	\$ 1,320.2	\$ —	\$ 2.9	\$ 51.8	\$ 1,376.0

See accompanying notes.

ARGO RE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Cash flows from operating activities:			
Net income (loss)	\$ 2.9	\$ (180.0)	\$ (143.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization and depreciation	39.6	12.2	21.6
Share-based payments expense	—	0.5	6.8
Deferred income tax (benefit), net	1.3	(14.9)	15.4
Net investment and other (gains) losses	0.3	22.7	115.3
Undistributed earnings from alternative investment portfolio	(2.2)	(11.5)	(17.7)
Loss on disposals of long-lived assets	—	1.2	4.1
Foreign currency exchange (gains) losses	0.6	1.8	
Impairment of goodwill and intangibles	—	—	28.5
Change in:			
Accrued investment income	(3.3)	1.4	0.2
Receivables	98.5	614.3	(193.6)
Deferred acquisition costs	(7.2)	8.8	(12.6)
Ceded unearned premiums	31.6	(69.7)	88.4
Reserves for losses and loss adjustment expenses	17.2	(27.9)	446.2
Unearned premiums	(69.6)	(12.0)	(74.7)
Ceded reinsurance payable and funds held	(57.4)	20.1	(162.9)
Income taxes	0.1	14.6	(47.5)
Accrued underwriting expenses and other liabilities	(11.3)	8.1	8.7
Payable to parent, net	(5.6)	(22.7)	(23.5)
Other, net	(12.1)	(82.5)	(7.7)
Cash provided by operating activities	\$ 23.4	\$ 284.5	\$ 51.8
Cash flows provided by (used in) investing activities:			
Sales of fixed maturity investments	0.7	24.2	818.5
Maturities and mandatory calls of fixed maturity investments	22.3	139.3	380.1
Sales of equity securities	—	45.7	17.8
Sales of other investments	22.2	24.0	58.1
Purchases of fixed maturity investments	(10.1)	(11.9)	(1,093.6)
Purchases of equity securities	—	(0.3)	(1.0)
Purchases of other investments	(2.9)	(19.3)	(52.8)
Change in foreign regulatory deposits and voluntary pools	—	—	(6.7)
Purchase of mortgage loans	—	—	(159.9)
Change in short-term investments	24.1	(623.2)	13.4
Settlements of foreign currency exchange forward contracts	1.3	2.5	(20.0)
Purchases (sales) of fixed assets	—	(2.7)	(6.1)
Proceed from business divestitures, net of cash transferred	4.2	63.8	14.9
Other, net	—	—	(10.1)
Cash provided by (used in) investing activities	\$ 61.8	\$ (357.9)	\$ (47.4)
Cash flows used in financing activities:			
Dividend paid	—	—	(33.0)
Cash used in financing activities	\$ —	\$ —	\$ (33.0)
Effect of exchange rate changes on cash	—	0.3	0.4
Change in cash	85.2	(73.1)	(28.2)
Cash balances classified as held-for-sale	—	70.8	(70.8)
Cash, restricted cash, and cash equivalents, beginning of period	704.2	45.0	144.0
Cash, restricted cash, and cash equivalents, end of period	\$ 789.4	\$ 42.7	\$ 45.0

See accompanying notes.

ARGO RE, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Significant Accounting Policies

Business

Argo Re, Ltd. (“Argo Re”, “we” or the “Company”) is a Bermuda-based specialty property and casualty reinsurance company. Argo Re is also a direct underwriter of international specialty property and casualty insurance products through the operations of its subsidiaries, primarily Argo Group US, Inc. (“Argo Group US”).

Argo Re is a wholly-owned subsidiary of Argo Group International Holdings, Ltd. (“Argo Group” or the “Parent company”).

On February 2, 2023, we completed the sale of Argo Underwriting Agency Limited (“Syndicate 1200” or “AUA”) to Ohio Farmers Insurance Company (the “Buyer”), part of the Westfield group of insurance companies. AUA was a subsidiary of Argo International Holdings, Ltd. See Note 2, “Recent Acquisitions, Disposals & Other Transactions” for further information.

On November 16, 2023, Argo Group merged with Brookfield Reinsurance Ltd., which resulted in a change to its ownership (“Merger”). See Note 2, “Recent Acquisitions, Disposals & Other Transactions” for further information.

Due to the Merger, Brookfield Reinsurance Ltd. elected to push-down its purchase accounting, which resulted in the Parent company and its subsidiaries reflecting the fair market value of our assets and liabilities as of November 16, 2023, in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations. The application of push-down accounting created a new basis of accounting for all of our assets and liabilities. As such, the Company’s financial position, results of operations, and cash flows subsequent to the acquisition are not comparable with those prior to November 16, 2023, and therefore have been separated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period through November 15, 2023 is referred to as the Predecessor. The post-acquisition period, November 16, 2023 and forward, includes the impact of push-down accounting and is referred to as the Successor. The summary of the total consideration paid for the Parent company by Brookfield Reinsurance Ltd. and Parent company’s fair values assigned to its assets and liabilities as of November 16, 2023 are presented in Note 2, “Recent Acquisitions, Disposals & Other Transactions.”

Basis of Presentation and Use of Estimates

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

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

Accounting for business combinations requires significant estimates and assumptions, especially at the acquisition date. In determining the Company's estimated fair value of assets acquired and liabilities assumed by Brookfield Reinsurance as part of the Merger, we used various recognized valuation methods including the income, market and cost approaches. Valuations were performed by independent valuation specialists under the Company's supervision. The value of business acquired represents the fair value of the expected future profits in unearned premiums, net of reinsurance, utilizing primarily ultimate loss and expense related assumptions, for insurance contracts acquired as a result of the Merger. The fair value adjustment for reserves for losses and loss adjustment expenses represents the difference between the fair value and book value of unpaid incurred claims net of reinsurance recoveries. The value of business acquired is classified separately on our Consolidated Balances Sheets, while the fair value adjustment for reserves for losses and loss adjustment expenses is included in our other intangible assets. These intangible assets were based primarily on an income valuation technique with assumptions for: (i) settlement patterns that reflect an actuarial estimate of the expected future net cash flows, (ii) a discount rate that reflect a market participant's view of (a) a reduction to those cash flows for the time value of money and (b) a risk component to reflect the net present value of profit that an investor would demand in return for the assumption of the development risk.

The consolidated financial statements include the accounts and operations of Argo Re and its subsidiaries. All material intercompany accounts and transactions have been eliminated. Amounts related to trade capital providers, who are third-party capital participants that provide underwriting capital to Syndicate 1200 are included in the balance sheet as held-for-sale at December 31, 2022. Trade capital providers participate on a quota share basis, assuming 100% of their contractual participation in the underwriting syndicate results and with such results settled on a year of account basis.

We have evaluated our investment in our nine statutory trusts (collectively, the "Trusts") under the Financial Accounting Standards Board's ("FASB's") provisions for consolidation of variable interest entities under Accounting Standards Codification ("ASC") Topic 810-10, "Consolidation," as amended. We determined that the Trusts are variable interest entities due to the fact that the Trusts do not have sufficient equity to finance their activities without additional subordinate financial support from other parties. We do not have any power to direct the activities that impact the Trusts' economic performance. We are not entitled to receive a majority of the residual returns of the Trusts. Additionally, we are not responsible for absorbing the majority of the expected losses of the Trusts; therefore, we are not the primary beneficiary and, accordingly, the Trusts are not included in our consolidated financial statements.

Cash, restricted cash and cash equivalents

Cash, restricted cash and cash equivalents consists of cash deposited in operating accounts with commercial banks and short-term investments with original maturities of 90 days or less. Previous to the Merger and the application of push-down accounting, the Company classified short-term investments with original maturities of 90 days or less as *Short-term investments* in our Consolidated Balance Sheets.

Investments

Investments in fixed maturities at December 31, 2023 and 2022 include bonds and structured securities. Equity securities include common stocks, preferred stocks and mutual funds. Other investments consist of hedge funds, private equity funds, private equity direct investments, and voluntary pools. Short-term investments consist of certificates of deposit and bonds with original maturities of over 90 days and less than one year. Previous to the Merger and the application of push-down accounting, the Company classified interest-bearing cash accounts and short-term investments with original maturities of 90 days or less as *Short-term investments* in our Consolidated Balance Sheets. Post Merger, these securities are classified in *Cash, restricted cash and cash equivalents* in our Consolidated Balance Sheets.

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

For the structured securities portion of the fixed maturity securities portfolio, we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. Premium or discount is amortized into income using the retrospective method.

Our investments in fixed maturities are considered available-for-sale and are carried at fair value. As available-for-sale investments, changes in the fair value of fixed maturities are not recognized in income during the period, but rather are recognized as a separate component of shareholders' equity until realized. Fair value of these investments is estimated using prices obtained from third-party pricing services, where available. For securities where we were unable to obtain fair values from a pricing service or broker, fair values were estimated using information obtained from investment advisors. We performed several processes to ascertain the reasonableness of these investment values by (1) obtaining and reviewing internal control reports for our service providers that obtain fair values from third-party pricing services, (2) obtaining and reviewing evaluated pricing methodology documentation from third-

party pricing services and (3) comparing the security pricing received from a secondary third-party pricing service versus the prices used in the Consolidated Financial Statements and obtaining additional information for variances that exceeded a defined threshold. As of December 31, 2023, investments reported at fair value for which we did not receive a fair value from a pricing service or broker accounted for less than 2% of our investment portfolio. The actual value at which such securities could be sold or settled with a willing buyer or seller may differ from such estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller. The cost of securities sold is based on the specific lot identification method.

Commercial mortgage loans are carried at unpaid principal balances less allowance for credit losses, plus or minus adjustments for the accretion or amortization of discount or premium. Interest income on such loans is accrued as earned. In connection with the Merger, the Company marked its investments in commercial mortgage loans to market value. The resulting discount will be amortized into income using a constant effective yield based on the estimated economic life of the investments.

Our investments in equity securities are reported at fair value, changes in the fair value of equity securities are included in *Net realized investment and other gains (losses)* in the Consolidated Statements of Income (Loss).

Changes in the value of other investments consisting of hedge funds, private equity funds, private equity direct investments and voluntary pools are principally recognized in income during the period using the equity method of accounting. Foreign currency future contracts held by us are valued by our counterparties using market driven foreign currency exchanges rates.

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

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

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

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

Premiums Receivables and Reinsurance Recoverables

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

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

As a result of push-down accounting due to the Merger, the fair value of the allowance for uncollectible premiums as well as reinsurance recoverables were nil as of November 16, 2023. The previous allowances were applied to the premium receivable or reinsurance recoverable balance, resulting in no net change in the asset.

At December 31, 2022, premiums receivable and reinsurance recoverables include amounts relating to the trade capital providers’ quota share, which were reclassified to *Assets held-for-sale* in our Consolidated Balance Sheets.

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

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. We continually review the methods of making such estimates and establishing the deferred costs with any adjustments made in the accounting period in which it arose.

The amortization of deferred acquisition costs is included in *Underwriting, acquisition and general expenses* in our Consolidated Statements of Income (Loss).

The Company evaluates the recoverability of deferred acquisition costs by determining if the future-earned premiums are greater than the expected future claims and expenses. The Company considers anticipated investment income in this determination. If a loss is probable on the unexpired portion of policies in force, a premium deficiency reserve is recognized. At December 31, 2023 and 2022, the deferred acquisition costs were considered fully recoverable and no premium deficiency reserve was recorded.

As a result of push-down accounting due to the Merger, the fair value of our deferred acquisition costs was nil as of November 16, 2023. Our deferred acquisition costs as of December 31, 2023 relate to policy acquisition costs incurred after November 16, 2023.

The 2022 net amortization of policy acquisition costs will not equal the change in our Consolidated Balance Sheets as Syndicate 1200 deferred acquisition costs were reclassified to *Assets held-for-sale* on our Consolidated Balance Sheets at December 31, 2022. The 2022 net amortization of policy acquisition costs will not equal the change in our Consolidated Balance Sheets as the trade capital providers’ share is not reflected in our Consolidated Statements of Income (Loss) and differences arise from foreign currency exchange rates applied to deferred acquisition costs which are treated as a nonmonetary asset.

Goodwill, Value of Business Acquired and Other Intangible Assets

Goodwill and intangible assets are allocated to reporting units in which the results of operations for the acquired company are reported. Intangible assets with a finite life are amortized over the estimated useful life of the asset. Goodwill and intangible assets with an indefinite useful life are not amortized. Goodwill and intangible assets are tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

We perform our annual goodwill and intangible asset impairment test on October 1 of each year.

Successor

The following table presents our intangible assets recognized on our Consolidated Balance Sheets as result of push-down accounting and the accumulated amortization:

(in millions)	As of December 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net Value	Useful Life
Value of business acquired	\$ 176.3	\$ (32.7)	\$ 143.6	(a)
Other intangible assets:				
Broker relations	21.5	(0.2)	21.3	13 to 16 years
Trade names	12.9	(0.3)	12.6	5 years
Insurance licenses	25.0	—	25.0	Indefinite
Leases	7.1	(0.1)	7.0	9 years
Internally developed software	16.5	(0.3)	16.2	5 to 7 years
Fair value adjustment for reserves for losses and loss adjustment expenses	102.8	(4.3)	98.5	(b)
Total other intangible assets	185.8	(5.2)	180.6	
Total intangible assets	\$ 362.1	\$ (37.9)	\$ 324.2	

(a) Amortized based on unearned premium earnout pattern.

(b) Amortized based on settlement pattern

Total intangible asset amortization expense was \$37.9 million for the period November 16, 2023 through December 31, 2023 (Successor). The intangible asset amortization expense is reflected in *Underwriting, acquisition and general expenses* in our Consolidated Statements of Income (Loss).

The Parent company did not recognize any goodwill as a result of the Merger as the Parent company's fair value of assets acquired and liabilities assumed exceeded the total consideration paid by \$48.9 million, resulting in a bargain purchase. This amount is reflected as *Additional paid-in capital* on our Consolidated Balance Sheets as of the Merger Date. Refer to Note 2, "Recent Acquisitions, Disposals & Other Transactions" for additional detail.

The following table outlines the estimated future amortization expense related to definite lived intangible assets held as of December 31, 2023:

(in millions)

Years	As of December 31,
2024	\$ 171.7
2025	39.8
2026	25.7
2027	17.4
2028	13.3
Thereafter	31.3
Total amortization expense	<u>\$ 299.2</u>

Leases

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

Property and Equipment

Property and equipment used in operations, including certain costs incurred to develop or obtain computer software for internal use, are capitalized and carried at cost less accumulated depreciation and are reported in *Other assets* in our Consolidated Balance Sheets. Depreciation is calculated using a straight-line method over the estimated useful lives of the assets, generally three to thirty-nine years. The accumulated depreciation for property and equipment was \$2.3 million and \$139.4 million at December 31, 2023 and 2022, respectively. The net book value of our property and equipment at December 31, 2023 and 2022 was \$31.1 million and \$40.1 million, respectively. The depreciation expense were \$2.3 million for the period November 16, 2023 through December 31, 2023, \$9.1 million for the period January 1, 2023 through November 15, 2023, as compared to \$21.6 million for the year ended December 31, 2022.

Derivative Instruments

We enter into short-term, currency spot and forward contracts to manage operational currency exposure from our non-USD insurance operations. The forward contracts are typically thirty to ninety days and are renewed as management deems necessary to accomplish the objectives of the contracts. These foreign currency forward contracts are carried at fair value in *Other assets* on our Consolidated Balance Sheets at December 31, 2023 and 2022. The realized and unrealized gains and losses are included in *Net investment and other gains (losses)* in our Consolidated Statements of Income (Loss). The forwards contracts are not designated as hedges for accounting purposes.

Assets held-for-sale

Assets held-for-sale consists of assets associated with pending business dispositions. The Company classifies a business as held-for-sale when the Company has entered into an agreement to sell the business and certain other specified criteria are met. The business classified as held-for-sale is recorded at the lower of carrying value or estimated fair value, less costs to sell. If the carrying value of the business exceeds its estimated fair value, less costs to sell, a loss is recognized when the criteria for the held-for-sale classification as described above are met. If the estimated fair value, less costs to sell, exceeds the carrying value of the business, the gain is recorded when the sale is completed. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for further discussion.

Reserves for Losses and Loss Adjustment Expenses

Liabilities for unpaid losses and loss adjustment expenses include the accumulation of individual case estimates for claims reported as well as estimates of IBNR claims and estimates of claim settlement expenses. Reserves for loss and loss adjustment expenses represents management's best estimate of the ultimate liability to settle these claims as of the balance sheet date. The effects of changes in this estimate are included in results of operations in the period in which the estimates are changed. Reinsurance recoverables on unpaid claims and claim expenses represent estimates of the portion of such liabilities that will be recoverable from reinsurers. Amounts recoverable from reinsurers are recognized as assets at the same time and in a manner consistent with the unpaid claims liabilities associated with the reinsurance policy.

Reinsurance

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

On November 9, 2022, the Company closed on the U.S. LPT with Enstar covering a majority of the Company's U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for additional information.

Earned Premiums

Premium revenue is generally recognized ratably over the policy period. Premiums that have yet to be earned are reported as *Unearned premiums* in our Consolidated Balance Sheets.

At December 31, 2022, trade capital providers balances were reclassified to *Assets held-for-sale*.

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

Retrospectively Rated Policies

We have written a number of workers compensation, property and other liability policies that are retrospectively rated. Under this type of policy, the policyholder or coverholder may be entitled, subsequent to coverage expiration, to a refund or may owe additional premiums based on the amount of losses incurred under the policy. The retrospective premium adjustments on certain policies are limited to a minimum or maximum premium adjustment, which is calculated as a percentage of the standard amount of premium charged during the life of the policy. Accrued retrospectively rated premiums have been determined based on estimated ultimate loss experience of the individual policyholder accounts. The estimated liability for return of premiums under retrospectively rated policies is included in *Unearned premiums* in our Consolidated Balance Sheets and was nil and \$0.2 million at December 31, 2023 and 2022, respectively. The estimated amount included in premiums receivables for additional premiums due under retrospectively rated policies was \$0.2 million and \$0.2 million at December 31, 2023 and 2022, respectively.

Liabilities held-for-sale

Liabilities held-for-sale consists of liabilities associated with pending business dispositions. See *Assets held-for-sale* above for further description of the held-for-sale classification.

Non-Operating Expenses

Non-operating expenses represent costs not associated with our ongoing insurance or other operations, including severance expenses, certain legal costs, merger and acquisition and other transaction-related expenses, and certain non-recurring expenses. As such, non-operating expenses have been excluded from the calculation of our expense ratio. These non-recurring costs are included in the line item *Non-operating expenses* in the Company's Consolidated Statements of Income (Loss).

Share-Based Payments

Argo Group has various share-based payment plans for which a portion of the related compensation expense is charged to Argo Re and its subsidiaries based on the legal entity or business unit to which each award recipient is assigned. Compensation expense for share-based payments is recognized based on the measurement-date fair value for awards that will settle in shares of Argo Group's capital stock. Compensation expense for awards that are settled in equity of Argo Group are recognized on a straight line pro rata basis over the vesting period. Share-based compensation expense, included in *Underwriting, acquisition and general expenses* in our Consolidated Statements of Income (Loss), was \$0.5 million for the period January 1, 2023 through November 15, 2023 and \$6.8 million for the year ended December 31, 2022.

Foreign Currency Exchange Gain (Loss)

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

Translation gains and losses related to our operations denominated in local currencies are recorded as a component of shareholders' equity in our Consolidated Balance Sheets. At December 31, 2023 and 2022, the foreign currency translation adjustments were a loss of \$0.1 million and \$4.2 million, respectively. The change in the foreign currency translation adjustments was primarily driven by disposal of the Company's Brazil and Malta operations. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for further discussion.

Income Taxes

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

We recognize interest expense and penalties related to the unrecognized tax benefits in *Interest expense* and *Underwriting, acquisition and general expenses*, respectively, in our Consolidated Statements of Income (Loss).

We recognize valuation allowance in *Provision (benefit) for income taxes* in our Consolidated Statements of Income (Loss).

Supplemental Cash Flow Information

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

(in millions)	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Senior unsecured fixed rate notes	\$ 1.2	\$ 8.2	\$ 9.3
Junior subordinated debentures	3.8	16.9	11.8
Other indebtedness	—	0.8	1.3
Total interest paid	\$ 5.0	\$ 25.9	\$ 22.4
Income taxes paid	\$ 0.1	\$ 0.2	\$ 26.2
Income taxes recovered	—	(0.1)	(2.1)
Income taxes paid, net	\$ 0.1	\$ 0.1	\$ 24.1

Recently Adopted Accounting Pronouncements

On October 9, 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2023-06—*Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative (“ASU 2023-06”)*. The amendments modify the disclosure or presentation requirements on a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements and also facilitate the comparison of entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the SEC’s requirements. Further, the amendments align the requirements in the Codification with the SEC’s regulations.

The effective date for each amendment will be the date on which the SEC’s removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this Update should be applied prospectively.

We are currently evaluating the requirements of ASU 2023-06. However, as they apply to disclosure requirements, the adoption of the standard is not anticipated to have a material impact on our profitability, financial position or cash flows.

On December 14, 2023, the FASB issued Accounting Standards Update 2023-09—*Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”)*. The amendments improve income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures.

The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted.

We are currently evaluating the requirements of ASU 2023-09. However, as they apply to disclosure requirements, the adoption of the standard is not anticipated to have a material impact on our profitability, financial position or cash flows.

2. Recent Acquisitions, Disposals & Other Transactions

Merger

On November 16, 2023, the Parent company completed the Merger, which resulted in a change to its ownership, and became an indirect wholly-owned subsidiary of Brookfield Reinsurance Ltd.

Pursuant to ASC 805, the total value of the consideration transferred was \$1,058.9 million. This which consisted of \$1,056.6 million for 35,221,291 shares of common stock issued and outstanding immediately prior to the Merger which were automatically canceled and converted into the right to receive an amount in cash equal to \$30.00, without interest, and a \$2.3 million settlement of unvested employee stock. There is no contingent consideration arrangement in connection with the Merger.

The Merger resulted in a \$48.9 million bargain purchase since the value of the net assets acquired exceeded the purchase consideration. The bargain purchase determination is consistent with the fact that the Parent company's shares traded at a discount to book value, and when considering the circumstances surrounding the Parent company at the time of sale, including those related to the strategic review.

As the Merger resulted in a bargain purchase, which is uncommon, the values of certain assets and liabilities are considered preliminary in nature that are subject to adjustment as additional information is obtained. The valuations will be finalized within the measurement period which cannot exceed 12 months from the close of the acquisition. When the valuations are finalized, any changes to the preliminary valuation of assets acquired or liabilities assumed may result in retrospective adjustments to the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

Due to the Merger, Brookfield Reinsurance Ltd. elected to push-down its purchase accounting, which resulted in the Parent company reflecting the fair market value of our assets and liabilities as of November 16, 2023, in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The following table is a summary of the purchase price and the Parent company's

fair value of assets acquired and liabilities assumed as part of the Merger as of November 16, 2023:

(in millions)	As of November 16, 2023
Consideration transferred settling 35,221,291 shares of outstanding common stock	\$ 1,056.6
Consideration transferred settling unvested employee stock	2.3
Total consideration	\$ 1,058.9
Assets	
Investments:	
Fixed maturities available-for-sale, at fair value	\$ 2,525.3
Commercial mortgage loans	144.9
Equity securities, at fair value	11.7
Other investments	327.8
Short-term investments, at fair value	450.1
Total investments	3,459.8
Cash	712.9
Accrued investment income	17.1
Premiums receivable	306.8
Reinsurance recoverables	2,981.6
Other intangible assets	186.1
Current income taxes receivable, net	53.2
Deferred tax asset, net	54.0
Ceded unearned premiums	387.6
Operating lease right-of-use assets	51.6
Other assets	190.8
Value of business acquired	176.3
Total assets ⁽¹⁾	\$ 8,577.8
Liabilities	
Reserves for losses and loss adjustment expenses	5,526.4
Unearned premiums	986.2
Accrued underwriting expenses and other liabilities	92.0
Ceded reinsurance payable, net	257.4
Funds held	49.9
Senior unsecured fixed rate notes	127.9
Junior subordinated debentures	241.0
Operating lease liabilities	52.1
Total liabilities assumed ⁽²⁾	\$ 7,332.9
Fair value of net assets acquired	\$ 1,244.9
Other claims on net assets:	
Preferred stock	\$ 137.1
Bargain purchase recognized in <i>Additional paid-in capital</i>	\$ 48.9

⁽¹⁾ Reflects net fair value adjustments of \$114.2 million to increase the total assets acquired, including value of business acquired and other intangible assets.

⁽²⁾ Reflects net fair value adjustments of \$80.9 million to reduce the total liabilities assumed.

The bargain purchase gain on Argo Re is lower by \$1.4 million compared the Parent company due to the push-down of purchase accounting relative to the consideration paid in relation to the net assets acquired.

Business Dispositions

Sale of Argo Underwriting Agency Limited

On September 8, 2022, Argo International Holdings Limited (the “Seller”), a wholly-owned subsidiary of the Company, and Ohio Farmers Insurance Company (the “Buyer”), part of the Westfield group of insurance companies, entered into a sale and purchase agreement (the “Transaction”) under which the Seller agreed to sell, and the Buyer agreed to purchase, the entire issued share capital of AUA, for which the financial results are reported in our International segment. This transaction simplifies our reporting structure and is intended to drive greater efficiencies.

The base cash consideration for the purchase is \$125.0 million, which will be adjusted to reflect the extent by which AUA’s net assets as at completion are greater or lesser than AUA net assets as of March 31, 2022. In the third quarter of 2022, as a result of the sale, an impairment was recorded in the amount of \$28.5 million, consisting of \$17.3 million of indefinite lived intangible assets and \$11.2 million of goodwill, representing the difference between the carrying value and implied fair value as determined by the consideration to be received. In addition, the Buyer will be obliged to replace certain funds provided by the Company to support the activities of AUA and certain of its subsidiaries at Lloyd’s of London, which would then be released to the Company.

As of December 31, 2022, the Company reported the assets and liabilities of this block of business as *held-for-sale* on Consolidated Balance Sheets with results continuing to be reported within the Consolidated Statements of Comprehensive Income (Loss) and the International Operations segment. The Company has determined that the Transaction does not represent a strategic shift, and therefore, does not meet the requirements for discontinued operations.

On February 2, 2023, the Seller completed the sale of the entire issued share capital of AUA. At the closing, the Company received total consideration of \$155.7 million, which included cash proceeds of \$125.1 million as base consideration and an additional \$30.6 million which was placed in escrow by the Buyer related to certain reinsurance-related recoverables. The funds in escrow may be released to the Seller over a period of two years following the closing. At the end of the two-year escrow period, any remaining balance of the escrow will be returned to the Buyer.

As a result of the sale, we realized a loss of \$20.3 million in the first quarter of 2023, which is included as a component of *Net investment and other gains (losses)* in our Consolidated Statements of Comprehensive Income (Loss). This loss is due to the realization of unrealized investment losses, which was previously a component of accumulated other comprehensive income.

The total consideration was adjusted to \$161.3 million based on a mutually agreed final closing balance sheet, which resulted in an additional \$5.6 million of cash proceeds received by the Company in July 2023.

Since the sale of AUA, \$12.9 million of the consideration placed in escrow was released to the Company.

The table below reflects the carrying amounts of assets and liabilities held-for-sale related to the pending disposition described above:

(in millions)	As of December 31, 2022
Assets	
Investments:	
Fixed maturities available-for-sale, at fair value	\$ 490.6
Other investments	81.6
Short-term investments, at fair value	114.1
Total investments	686.4
Cash	70.8
Accrued investment income	2.1
Premiums receivable	331.9
Reinsurance recoverables	733.1
Current income taxes receivable, net	6.3
Deferred tax asset, net	28.1
Deferred acquisition costs, net	69.4
Ceded unearned premiums	76.1
Other assets	62.0
Total assets	\$ 2,066.2
Liabilities	
Reserves for losses and loss adjustment expenses	993.4
Unearned premiums	335.6
Accrued underwriting expenses and other liabilities	34.4
Ceded reinsurance payable, net	323.5
Funds held	172.9
Other indebtedness	54.7
Total liabilities	\$ 1,914.5

The pretax net income (loss) of our held-for-sale business was \$15.6 million and \$66.8 million for the period January 1, 2023 through November 15, 2023 (Predecessor) and year-ended December 31, 2022, respectively. These amounts include business that is assumed from Westfield post the sale of the Syndicate.

Sale of ArgoGlobal SE

On June 22, 2022, we completed the sale of our Malta operations, ArgoGlobal Holdings (Malta) Ltd. and its subsidiaries (“AGSE”) to RiverStone Holdings Limited (part of the RiverStone International Group) for €4.9 million (approximately \$5.2 million), subject to the terms and conditions set forth in the purchase agreement. AGSE is one of the business units within our International Operations reporting segment. As a result, we realized a loss on the sale of AGSE of \$21.3 million, which is included as a component of *Net investment and other gains (losses)* in our Consolidated Statements of Income (Loss). This amount includes \$4.5 million of losses from the realization of historical foreign currency translation, which was previously a component of accumulated other comprehensive income.

Sale of Argo Seguros Brasil S.A.

On February 15, 2022, we completed the sale of our Brazilian operations, Argo Seguros Brasil S.A. (“Argo Seguros”), to Spice Private Equity Ltd., an investment company focused on global private equity investments, for a final purchase price of 140 million Brazilian Reals (approximately \$26.9 million), subject to the terms and conditions set forth in the purchase agreement. Argo Seguros is one of the business units within our International Operations reporting segment. As a result, we realized a loss on the sale of Argo Seguros of \$33.8 million in 2022, which is included as a component of *Net investment and other gains (losses)* in our Consolidated

Statements of Income (Loss). This amount includes \$27.3 million of losses from the realization of historical foreign currency translation, which was previously a component of accumulated other comprehensive income.

Other Transactions

Loss Portfolio Transfer - U.S.

On August 8, 2022, the Company entered into a loss portfolio transfer agreement with a wholly-owned subsidiary of Enstar Group Limited (“Enstar”) covering a majority of the Company’s U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019.

Enstar’s subsidiary will provide ground up cover of \$746.0 million of reserves, and an additional \$275.0 million of cover in excess of \$821.0 million, up to a policy limit of \$1,096.0 million effective January 1, 2022. The Company will retain a loss corridor of \$75.0 million up to \$821.0 million. For the year ended December 31, 2022, the Company recognized \$75.0 million of losses that fall within the corridor and \$188.6 million of the \$275.0 million LPT limit remains available to the Company.

In addition, as a result of the anticipated loss portfolio transfer in the third quarter of 2022, the Company determined that it was more likely than not it would be required to sell certain securities before recovery of its amortized cost. As such, the Company recognized \$34.2 million of realized losses related to the impairment of assets that were transferred at fair value to a third party at the close of the transaction. These losses were previously a component of accumulated other comprehensive income. In addition, in the fourth quarter of 2022, the Company recognized an additional \$3.4 million loss at the close of the transaction. The realized losses are included as a component of *Net investment and other gains (losses)* in our Consolidated Statements of Income (Loss).

On November 9, 2022, the U.S. loss portfolio transaction with Enstar covering a majority of the Company’s U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019 closed.

The estimated subject reserves transferred to Enstar on the closing date were \$509.0 million, which represents the \$746.0 million in loss reserves as of January 1, 2022, less estimated claims paid through October 31, 2022. On the closing date, the Company also transferred approximately \$630.0 million of cash and investments to Enstar for which a portion was deposited into a Trust established to secure Enstar’s claim payment obligation to the Company. The financial statement impact of this transaction on the closing date, which was recorded in the fourth quarter of 2022, is a \$509.0 million increase in Reinsurance recoverables, a reduction of \$630.0 million in cash and investments, and an after-tax charge of approximately \$100.0 million. The charge consists mainly of ceded premiums for a total of \$121.0 million and is reflected in Earned premiums in our Consolidated Statements of Income (Loss). In 2023, the reserves ceded under the U.S. loss portfolio transfer exceeded the consideration paid by \$82.4 million, and was reflected as a deferred gain liability included in *Accrued underwriting expenses and other liabilities* on the Consolidated Balance Sheets, net of amortization, prior to the Merger. The deferred gain was amortized to earnings using the recovery method over the estimated claims settlement period. At the time of the Merger, the deferred gain liability was eliminated as it has no future cash flows associated with it. In addition, any potential future adverse loss development covered under the loss portfolio transfer will not result in any deferred gains.

Loss Portfolio Transfer - Syndicate 1200

In April 2022, Argo Managing Agency Limited, for and on behalf of Lloyd’s Syndicate 1200, reached an agreement to enter into a loss portfolio transfer of the 2018 and 2019 years of account to Riverstone Managing Agency Limited, for and on behalf of Lloyd’s Syndicate 3500, retrospectively from January 1, 2022. These years of account are included in a reinsurance to close transaction with Riverstone Managing Agency Limited entered into on January 1, 2023. As of December 31, 2022, these balances are classified as *held-for-sale* on our Consolidated Balance Sheets as described in *Sale of Argo Underwriting Agency Limited* above.

3. Investments

As a result of the push-down accounting due to the Merger, the amortized cost of our investments is based on the fair value as of November 16, 2023.

Included in our *Assets held-for-sale* at December 31, 2022 in our Consolidated Balance Sheets is \$55.9 million, respectively, of assets managed on behalf of the trade capital providers, who are third-party participants that provide underwriting capital to the operations of Syndicates 1200 and 1910.

Fixed Maturities

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

December 31, 2023

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	\$ 357.7	\$ 4.5	\$ —	\$ —	\$ 362.2
Foreign Governments	27.9	2.6	—	0.2	30.3
Obligations of states and political subdivisions	92.4	2.0	—	—	94.4
Corporate bonds	1,185.0	28.9	0.8	—	1,213.1
Commercial mortgage-backed securities	270.9	10.1	0.5	—	280.5
Residential mortgage-backed securities	235.2	13.6	—	—	248.8
Asset-backed securities	140.4	1.7	0.1	—	142.0
Collateralized loan obligations	212.0	2.1	—	—	214.1
Total fixed maturities	\$ 2,521.5	\$ 65.5	\$ 1.4	\$ 0.2	\$ 2,585.4

December 31, 2022

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturities					
U.S. Governments	\$ 410.9	\$ —	\$ 30.2	\$ —	\$ 380.7
Foreign Governments	35.6	0.3	6.7	0.8	28.4
Obligations of states and political subdivisions	109.9	0.4	10.1	0.4	99.8
Corporate bonds	1,394.8	0.9	160.0	1.6	1,234.1
Commercial mortgage-backed securities	337.4	—	52.0	—	285.4
Residential mortgage-backed securities	320.0	0.2	50.2	—	270.0
Asset-backed securities	153.4	—	14.2	—	139.2
Collateralized loan obligations	254.4	0.3	16.8	—	237.9
Total fixed maturities	\$ 3,016.4	\$ 2.1	\$ 340.2	\$ 2.8	\$ 2,675.5

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of December 31, 2023, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	\$ 290.2	\$ 290.8
Due after one year through five years	1,019.7	1,037.4
Due after five years through ten years	322.1	337.7
Thereafter	30.9	34.1
Structured securities	858.6	885.4
Total	\$ 2,521.5	\$ 2,585.4

The actual maturities may differ from the contractual maturities because debtors may have the right to call or prepay obligations. The model duration of the assets comprising our fixed maturity investment portfolio was 2.68 years and 3.29 years at December 31, 2023 and 2022, respectively.

Other Invested Assets

Details regarding the carrying value and unfunded investment commitments of the other investments portfolio as of December 31, 2023 and 2022 were as follows:

December 31, 2023

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	\$ 56.2	\$ —
Private equity	250.3	93.4
Other	4.5	—
Total other investments	\$ 311.0	\$ 93.4

December 31, 2022

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	\$ 54.0	\$ —
Private equity	264.6	108.9
Other	4.6	—
Total other investments	\$ 323.2	\$ 108.9

The following describes each investment type:

- **Hedge funds:** Hedge funds, carried at net asset value (“NAV”) as a practical expedient of fair value, include funds that primarily buy and sell stocks, including short sales, multi-strategy credit, relative value credit and distressed credit.
- **Private equity:** Private equity includes buyout funds, real asset/infrastructure funds, credit special situations funds, mezzanine lending funds and direct investments and strategic non-controlling minority investments in private companies that are principally accounted for using the equity method of accounting.
- **Other:** Other includes participation in investment pools.

Unrealized Losses and Other-than-temporary Impairments

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

December 31, 2023	Less Than One Year		One Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in millions)						
Fixed maturities						
U.S. Governments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Foreign Governments	0.1	—	—	—	0.1	—
Obligations of states and political subdivisions	0.5	—	—	—	0.5	—
Corporate bonds	38.7	0.8	—	—	38.7	0.8
Commercial mortgage-backed securities	32.2	0.5	—	—	32.2	0.5
Residential mortgage-backed securities	2.9	—	—	—	2.9	—
Asset-backed securities	11.4	0.1	—	—	11.4	0.1
Collateralized loan obligations	21.4	—	—	—	21.4	—
Total fixed maturities	\$ 107.2	\$ 1.4	\$ —	\$ —	\$ 107.2	\$ 1.4

December 31, 2022	Less Than One Year		One Year or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in millions)						
Fixed maturities						
U.S. Governments	\$ 271.0	\$ 18.1	\$ 109.8	\$ 12.1	\$ 380.8	\$ 30.2
Foreign Governments	16.7	4.9	2.6	1.8	19.3	6.7
Obligations of states and political subdivisions	67.4	4.1	24.3	6.0	91.7	10.1
Corporate bonds	695.1	68.3	519.6	91.7	1,214.7	160.0
Commercial mortgage-backed securities	144.2	18.6	141.2	33.4	285.4	52.0
Residential mortgage-backed securities	88.7	8.8	178.8	41.4	267.5	50.2
Asset-backed securities	93.3	7.5	45.9	6.7	139.2	14.2
Collateralized loan obligations	181.1	13.3	44.2	3.5	225.3	16.8
Total fixed maturities	\$1,557.5	\$ 143.6	\$1,066.4	\$ 196.6	\$2,623.9	\$ 340.2

We hold a total of 1,431 fixed maturity securities, of which 104 were in an unrealized loss position for less than one year and none were in an unrealized loss position for a period one year or greater as of December 31, 2023.

For fixed maturities with a decline in fair value below the amortized cost due to credit-related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to *Net investment and other gains (losses)* in the Consolidated Statements of Income (Loss). The allowance is limited to the difference between amortized cost and fair value. The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit-related factors is recognized in the Consolidated Statements of Comprehensive Income (Loss). Accrued interest is excluded from the measurement of the allowance for credit losses.

When determining if a credit loss has been incurred, we may consider the historical performance of the security, available market information and security specific considerations such as the priority payment of the security. In addition, inputs used in our analysis include, but are not limited to, credit ratings and downgrades, delinquency rates, missed scheduled interest or principal payments, purchase yields, underlying asset performance, collateral types, modeled default rates, modeled severity rates, call/prepayment rates, expected cash flows, industry concentrations, and potential or filed bankruptcies or restructurings.

In cooperation with our investment managers, we evaluate for credit losses each quarter utilizing a bottom up review approach. At the security level, a determination is made as to whether a decline in fair value below the amortized cost basis is due to credit-related or noncredit-related factors. If we determine that all or a portion of a fixed maturity is uncollectible, the uncollectible amortized cost is written off with a corresponding reduction to the allowance for credit losses. If we collect cash flows that were previously written off, the recovery is recognized in realized investment gains. We also consider whether we intend to sell an available-for-sale security or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost. In these instances, a decline in fair value is recognized in *Net investment and other gains (losses)* in the Consolidated Statements of Income (Loss) based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

The following table presents a roll-forward of the changes in allowance for credit losses on available-for-sale fixed maturities by industry category for the months ending December 31, 2023 and 2022, respectively:

	Predecessor					Total
	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities		
Beginning balance, January 1, 2022	\$ 0.2	\$ —	\$ 2.2	\$ 0.1	\$ 2.5	
Securities for which allowance was not previously recorded	0.4	—	1.8	—	2.2	
Securities sold during the period	(0.1)	—	(0.7)	—	(0.8)	
Reductions for credit impairments	—	—	(1.4)	—	(1.4)	
Additional net increases (decreases) in existing allowance	0.2	0.4	(0.3)	—	0.3	
Balance, December 31, 2022	\$ 0.7	\$ 0.4	\$ 1.6	\$ 0.1	\$ 2.8	
Additions-initial adoption of accounting standard	\$ —	\$ —	\$ —	\$ —	\$ —	
Securities for which allowance was not previously recorded	0.1	0.5	2.1	—	2.7	
Securities sold during the period	—	—	(0.7)	—	(0.7)	
Reductions for credit impairments	—	—	—	—	—	
Additional net increases (decreases) in existing allowance	0.3	(0.4)	(0.4)	—	(0.5)	
Balance, November 15, 2023	\$ 1.1	\$ 0.5	\$ 2.6	\$ 0.1	\$ 4.3	
	Successor					
Balance, November 16, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	
Additional net increases (decreases) in existing allowance	—	—	0.2	—	0.2	
Balance, December 31, 2023	\$ —	\$ —	\$ 0.2	\$ —	\$ 0.2	

Total credit impairment (gains) losses, net of allowance for credit losses, included in *Net investment and other gains (losses)* in the Consolidated Statements of Income (Loss) was \$0.2 million for the period November 16, 2023 through December 31, 2023 (Successor), \$2.2 million for the period January 1, 2023 through November 15, 2023 and \$2.5 million for the year ended December 31, 2022, respectively.

For commercial mortgage loans, an allowance for credit losses is established at the time of origination or purchase, as necessary, and is updated each reporting period. Changes in the allowance for credit losses are recorded in *Net investment and other gains (losses)*. This allowance reflects the risk of loss, even when that risk is remote, that is expected over the remaining contractual life of the loan. The allowance for credit losses considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

Commercial Mortgage Loans

Commercial mortgage loan investments are composed of participation interests in a portfolio of commercial mortgage loans. Loan collateral is diversified with regard to property type and geography. The following table presents loans by property type:

(in millions)	December 31, 2023		
	Cost	Composition	Loan Count
Apartments	\$ 76.1	52.6 %	16
Hotel	22.4	15.4 %	4
Industrial	26.0	18.0 %	4
Retail	20.3	14.0 %	4
Total	\$ 144.8	100.0 %	28

(in millions)	December 31, 2022		
	Cost	Composition	Loan Count
Apartments	\$ 87.4	54.5 %	16
Hotel	25.0	15.6 %	4
Industrial	26.0	16.3 %	4
Retail	21.5	13.6 %	4
Total	\$ 159.9	100.0 %	28

The following table presents our loans by Debt Service Covenant Ratio (“DSCR”):

(in millions)	December 31, 2023	
	Cost	Loan Count
Less than 1.00	\$ 36.2	8
1.00 to 1.50	29.4	6
Greater than 1.5 to 2.0	30.9	6
Greater than 2.0 to 3.0	36.0	6
Greater than 3.0 to 4.0	12.3	2
Total	\$ 144.8	28

(in millions)	December 31, 2022	
	Cost	Loan Count
1.00 to 1.50	\$ 10.4	2
Greater than 1.5 to 2.0	60.4	10
Greater than 2.0 to 3.0	52.0	10
Greater than 3.0 to 4.0	25.8	4
Greater than 4.0	11.3	2
Total	\$ 159.9	28

The following table presents loans by Loan To Value (“LTV”):

(in millions)	December 31, 2023	
	Cost	Loan Count
Equal to or less than 50.0%	\$ 12.3	2
Greater than 50.0% to 55.0%	9.1	2
Greater than 55.0% to 60.0%	18.9	4
Greater than 60.0% to 70.0%	37.3	6
Greater than 70.0%	67.2	14
Total	\$ 144.8	28

(in millions)	December 31, 2022	
	Cost	Loan Count
Equal to or less than 50.0%	\$ 36.7	6
Greater than 50.0% to 55.0%	9.1	2
Greater than 55.0% to 60.0%	42.6	8
Greater than 60.0% to 70.0%	71.5	12
Total	\$ 159.9	28

The following table presents loans by maturity:

(in millions)	December 31, 2023	
	Cost	Loan Count
One Year or Less	\$ 19.7	\$ 4
Greater than One Year and Less than Three	34.9	6
Greater than Three Years and Less than Five Years	32.4	6
Greater than Five Years and Less than Seven Years	17.2	4
Greater than Seven Years and Less than Ten Years	40.6	8
Total	\$ 144.8	28

(in millions)	December 31, 2022	
	Cost	Loan Count
Greater than One Year and Less than Three	\$ 54.8	\$ 10
Greater than Three Years and Less than Five Years	33.8	6
Greater than Five Years and Less than Seven Years	20.4	4
Greater than Seven Years and Less than Ten Years	50.9	8
Total	\$ 159.9	28

Investment Gains and Losses

The following table presents our gross realized investment gains and losses:

(in millions)	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Realized gains on fixed maturities and other:			
Fixed maturities	\$ 0.1	\$ 0.6	\$ 20.5
Other investments, including short-terms	5.4	14.9	34.8
Other assets	—	—	—
	5.5	15.5	55.3
Realized losses on fixed maturities and other:			
Fixed maturities	—	(25.7)	(29.9)
Other investments, including short-terms	(5.4)	(11.3)	(51.1)
Other assets	—	—	—
	(5.4)	(37.0)	(81.0)
Other net losses recognized on fixed maturities and other:			
Credit gains (losses) on fixed maturities	(0.2)	(2.2)	(4.6)
Impairment related to change in intent ⁽¹⁾	—	(2.9)	(34.2)
Other ⁽²⁾	—	(8.4)	(55.1)
	(0.2)	(13.5)	(93.9)
Equity securities:			
Net realized gains (losses) on equity securities	—	6.8	1.2
Change in unrealized gains (losses) on equity securities held at the end of the period	(0.2)	5.5	3.1
Net gains (losses) on equity securities	(0.2)	12.3	4.3
Net investment and other gains (losses) before income taxes	(0.3)	(22.7)	(115.3)
Income tax (benefit) provision	(0.1)	(6.8)	(10.0)
Net investment and other gains (losses), net of income taxes	\$ (0.2)	\$ (15.9)	\$ (105.3)

⁽¹⁾Refer to the Loss Portfolio Transfer - U.S. in Note 2, "Recent Acquisitions, Disposals & Other Transactions".

⁽²⁾Refer to the sale of AGSE and Argo Seguros in Note 2, "Recent Acquisitions, Disposals & Other Transactions".

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

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

(in millions)	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Change in unrealized gains (losses)			
Fixed maturities	\$ 64.2	\$ 41.2	\$ (383.7)
Other and short-term investments	0.4	2.0	(0.8)
Net unrealized investment gains (losses) before income taxes	64.6	43.2	(384.5)
Income tax provision (benefit)	13.5	7.4	(71.7)
Net unrealized investment gains (losses), net of income taxes	\$ 51.1	\$ 35.8	\$ (312.8)

Foreign Currency Exchange Forward Contracts

We entered into foreign currency exchange forward contracts primarily to manage operation currency exposure from our non-USD insurance operations. The currency forward contracts are carried at fair value in our Consolidated Balance Sheets in *Other assets* at December 31, 2023 and 2022. The net realized gains and (losses) are included in *Net investment and other gains (losses)* in our Consolidated Statements of Income (Loss).

The fair value of our foreign currency exchange forward contracts as of December 31, 2023 and 2022 was as follows:

(in millions)	December 31, 2023	December 31, 2022
Operational currency exposure	\$ 1.8	\$ 5.8
Asset manager investment exposure	(0.5)	(0.6)
Total	\$ 1.3	\$ 5.2

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

(in millions)	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Realized gains			
Operational currency exposure	\$ 4.5	\$ 12.0	\$ 30.0
Asset manager investment exposure	—	1.5	3.9
Gross realized investment gains	4.5	13.5	33.9
Realized losses			
Operational currency exposure	(2.9)	(11.4)	(46.3)
Asset manager investment exposure	(0.7)	(1.0)	(0.9)
Total return strategy	—	—	—
Gross realized investment losses	(3.6)	(12.4)	(47.2)
Net realized investment (losses) gains on foreign currency exchange forward contracts	\$ 0.9	\$ 1.1	\$ (13.3)

Regulatory Deposits, Pledged Securities and Letters of Credit

We are required to maintain assets on deposit with various regulatory authorities to support our insurance and reinsurance operations. We maintain assets pledged as collateral in support of irrevocable letters of credit issued under the terms of certain reinsurance agreements for reported loss and loss expense reserves. The following table presents our components of restricted assets:

(in millions)	December 31, 2023	December 31, 2022
Securities on deposit for regulatory and other purposes	\$ 153.4	\$ 149.3
Securities pledged as collateral for letters of credit and other	109.2	169.8
Securities on deposit supporting Lloyd's business ⁽¹⁾	—	171.4
Total restricted investments	<u>\$ 262.6</u>	<u>\$ 490.5</u>

⁽¹⁾The Company was required to maintain Funds at Lloyd's ("FAL") to support its business for Syndicate 1200 and Syndicate 1910. At December 31, 2022 the amount of securities pledged for FAL was \$171.4 million, which was provided by Argo Re, Ltd. FAL of \$123.7 million held by Syndicate 1200 and 1910 was reclassified to *Assets held-for-sale*. During the second quarter 2023, the funds at Lloyd's (FAL) previously used to support the activities of AUA and its subsidiaries, were released to the Company. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for additional information.

Fair Value Measurements

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

Valuation techniques consistent with the market and income approach are used to measure fair value. The inputs of these valuation techniques are categorized into three levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the reporting date. We define actively traded as a security that has traded in the past seven days. We receive one quote per instrument for Level 1 inputs.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. We receive one quote per instrument for Level 2 inputs.
- Level 3 inputs are unobservable inputs. Unobservable inputs reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

We receive fair value prices from third-party pricing services and our outside investment managers. These prices are determined using observable market information such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. We have reviewed the processes used by the third-party providers for pricing the securities and have determined that these processes result in fair values consistent with GAAP requirements. In addition, we review these prices for reasonableness, and have not adjusted any prices received from the third-party providers as of December 31, 2023 and 2022. A description of the valuation techniques we use to measure assets at fair value is as follows:

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

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

Fixed Maturities Level 3: We own term loans and asset-backed securities that are valued using unobservable inputs.

Equity Securities Level 1: Equity securities are principally reported at fair value using Level 1 inputs. For these securities, we obtain fair value measurements from a third-party pricing service using quoted prices (unadjusted) in active markets at the reporting date.

Equity Securities Level 3: We own certain equity securities that are reported at fair value using Level 3 inputs. The valuation techniques for these securities include the following:

- Fair value measurements for an investment in an equity fund obtained by applying final prices provided by the administrator of the fund, which is based upon certain estimates and assumptions.
- Fair value measurements from a broker and an independent valuation service, both based upon estimates and assumptions.

Short-term Investments: Short-term investments are principally reported at fair value using Level 1 inputs, with the exception of short-term corporate and governmental bonds reported at fair value using Level 2 inputs as described in the fixed maturities section above. Values for the investments categorized as Level 1 are obtained from various financial institutions as of the reporting date.

Based on an analysis of the inputs, our financial assets and liabilities measured at fair value on a recurring basis have been categorized as follows:

(in millions)	Fair Value Measurements at Reporting Date Using			
	December 31, 2023	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Fixed maturities				
U.S. Governments	\$ 362.2	\$ 360.1	\$ 2.1	\$ —
Foreign Governments	30.3	—	30.3	—
Obligations of states and political subdivisions	94.4	—	94.4	—
Corporate bonds	1,213.1	—	1,180.5	32.6
Commercial mortgage-backed securities	280.5	—	280.5	—
Residential mortgage-backed securities	248.8	—	248.8	—
Asset-backed securities	142.0	—	124.2	17.8
Collateralized loan obligations	214.1	—	214.1	—
Total fixed maturities	2,585.4	360.1	2,174.9	50.4
Equity securities	10.7	4.3	—	6.4
Other investments	0.2	—	0.2	—
Short-term investments	429.5	429.0	0.5	—
Derivatives	1.3	—	1.3	—
Total assets	\$ 3,027.1	\$ 793.4	\$ 2,176.9	\$ 56.8

⁽¹⁾ Quoted prices in active markets for identical asset

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

(in millions)	Fair Value Measurements at Reporting Date Using			
	December 31, 2022	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Fixed maturities				
U.S. Governments	\$ 380.7	\$ 378.7	\$ 2.0	\$ —
Foreign Governments	28.4	—	28.4	—
Obligations of states and political subdivisions	99.8	—	99.8	—
Corporate bonds	1,234.1	—	1,212.1	22.0
Commercial mortgage-backed securities	285.4	—	285.4	—
Residential mortgage-backed securities	270.0	—	270.0	—
Asset-backed securities	139.2	—	120.5	18.7
Collateralized loan obligations	237.9	—	237.9	—
Total fixed maturities	2,675.5	378.7	2,256.1	40.7
Equity securities	43.9	28.4	—	15.5
Other investments	0.3	—	0.3	—
Short-term investments	447.7	447.4	0.3	—
Derivatives	5.2	—	5.2	—
Total assets	\$ 3,172.6	\$ 854.5	\$ 2,261.9	\$ 56.2

⁽¹⁾ Quoted prices in active markets for identical asset

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

The fair value measurements in the tables above do not equal *Total investments* on our Consolidated Balance Sheets as they primarily exclude private equity and hedge funds which are carried at NAV as a practical expedient.

A reconciliation of the beginning and ending balances for the investments categorized as Level 3 are as follows:

Fair Value Measurements Using Observable Inputs (Level 3)

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2023	\$ 40.7	\$ 15.5	\$ 56.2
Transfers into Level 3	5.6	—	5.6
Transfers out of Level 3	(5.6)	(7.6)	(13.2)
Total gains or losses (realized/unrealized):			
Included in net income	(0.1)	(0.4)	(0.5)
Included in other comprehensive income	0.8	—	0.8
Purchases, issuances, sales, and settlements:			
Purchases	10.6	—	10.6
Issuances	—	—	—
Sales	(0.5)	(1.1)	(1.6)
Settlements	(1.1)	—	(1.1)
Ending balance, December 31, 2023	\$ 50.4	\$ 6.4	\$ 56.8
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2023	\$ —	\$ (0.8)	\$ (0.8)

(in millions)	<u>Credit Financial</u>	<u>Equity Securities</u>	<u>Total</u>
Beginning balance, January 1, 2022	\$ 2.8	\$ 14.7	\$ 17.5
Transfers into Level 3	36.1	1.5	37.6
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):	0		0
Included in net income	(0.4)	(0.7)	(1.1)
Included in other comprehensive loss	(4.8)	—	(4.8)
Purchases, issuances, sales, and settlements:			0
Purchases	9.0	1.0	10.0
Issuances	—	—	—
Sales	(2.0)	(1.0)	(3.0)
Settlements	—	—	—
Ending balance, December 31, 2022	<u>\$ 40.7</u>	<u>\$ 15.5</u>	<u>\$ 56.2</u>
Amount of total gains or losses for the year included in net income attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2022	<u>\$ —</u>	<u>\$ (4.4)</u>	<u>\$ (4.4)</u>

December 31, 2023 and 2022, we did not have any financial assets or financial liabilities measured at fair value on a nonrecurring basis or any financial liabilities on a recurring basis.

The Company holds investments in commercial mortgage loans reported at cost, less an allowance for expected credit losses of \$0.2 million, on the Consolidated Balance Sheets. As of December 31, 2023, the cost and estimated fair value of the investments in commercial mortgage loans were:

(in millions)	<u>December 31, 2023</u>	
	<u>Cost</u>	<u>Fair Value</u>
Commercial Mortgage Loans	\$ 144.8	\$ 148.8

4. Allowance for Credit Losses

Premiums receivable

The following table represents the balances of premiums receivable, net of allowance for estimated uncollectible premiums, including expected lifetime credit losses, as of December 31, 2023, 2022 and 2021, and the changes in the allowance for the period November 16, 2023 through December 31, 2023 (Successor), January 1, 2023 through November 15, 2023 (Predecessor), and for the years ended December 31, 2022.

(in millions)	Predecessor	
	Premiums Receivable, Net of Allowance for Estimated Uncollectible Premiums	Allowance for Estimated Uncollectible Premiums
Balance, December 31, 2021	\$ 648.6	\$ 5.7
Current period change for estimated uncollectible premiums		0.2
Write-offs of uncollectible premiums receivable		(1.2)
Balance, December 31, 2022	\$ 292.0	\$ 4.7
Current period change for estimated uncollectible premiums		5.4
Write-offs of uncollectible premiums receivable		(2.7)
Balance, November 15 2023	\$ 306.8	\$ 7.4
	Successor	
Balance, November 16, 2023	\$ 306.8	\$ —
Current period change for estimated uncollectible premiums		3.3
Write-offs of uncollectible premiums receivable		(0.3)
Balance, December 31, 2023	\$ 230.7	\$ 3.0

Reinsurance Recoverables

The following table presents the balances of reinsurance recoverables, net of the allowance for estimated uncollectible reinsurance, including expected credit losses, at December 31, 2023, 2022 and 2021, and changes in the allowance for the period November 16, 2023 through December 31, 2023 (Successor), January 1, 2023 through November 15, 2023 (Predecessor), and for the year ended December 31, 2022.

(in millions)	Predecessor	
	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, December 31, 2021	\$ 2,966.4	\$ 3.8
Current period change for estimated uncollectible reinsurance		1.7
Reclassified to assets held-for-sale		(0.8)
Balance, December 31, 2022	\$ 3,029.1	\$ 4.7
Balance, November 15, 2023	2,981.6	4.7
	Successor	
Balance, December 31, 2023	\$ 2,959.3	\$ —

We primarily utilize A.M. Best credit ratings when determining the allowance, adjusted as needed based on our historical experience with the reinsurers. Certain of our reinsurance recoverables are collateralized by letters of credit, funds held or trust agreements.

5. Leases

Our operating lease obligations are for office facilities. Our leases have remaining lease terms ranging between less than 1 year and 10 years, some of which include options to extend the leases.

The lease information is as follows:

(in millions)	December 31,	
	2023	2022
Operating leases right-of-use assets ⁽¹⁾	\$ 51.2	\$ 57.7
Operating lease liabilities ⁽²⁾	51.4	66.4
Operating lease weighted-average remaining lease term	7.70	8.22
Operating lease weighted-average discount rate	6.13 %	3.44 %

⁽¹⁾ \$0.5 million of Operating leases right-of-use-assets were reclassified to assets held-for-sale. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" at December 31, 2022.

⁽²⁾ \$0.5 million of Operating lease liabilities were reclassified to liabilities held-for-sale. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" at December 31, 2022.

(in millions)	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Operating lease costs	\$ 0.7	\$ 5.2	\$ 8.1
Variable lease costs	0.5	3.3	4.7
Sublease income	(0.1)	(0.9)	(1.0)
Total lease costs	\$ 1.1	\$ 7.6	\$ 11.8

Our short-term leases as of December 31, 2023 and 2022 were not material.

Future minimum lease payments under operating leases as of December 31, 2023 were as follows:

(in millions)	December 31, 2023
2024	\$ 8.9
2025	9.1
2026	8.9
2027	8.3
2028	6.9
Thereafter	22.5
Total future minimum lease payments	\$ 64.6
Less imputed interest	(13.2)
Total operating lease liability	\$ 51.4

6. Reinsurance

We reinsure certain risks with other insurance companies. Such arrangements serve to limit our maximum loss on certain individual risks as well as on catastrophes and large or unusually hazardous risks. We are liable to our insureds for reinsurance ceded in the event our reinsurers do not meet their obligations. Thus, a credit exposure exists with respect to reinsurance ceded to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under the reinsurance contracts. Our allowance for uncollectible reinsurance balances receivable on paid losses and incurred claims was nil at December 31, 2023 as compared to \$4.7 million at December 31, 2022 (see Note 4, "Allowance for Credit Losses" for additional information). Under certain reinsurance agreements, collateral, including letters of credit, is held to secure performance of reinsurers in meeting their obligations. The amount of such collateral was \$1,212.2 million and \$1,299.3 million at December 31, 2023 and December 31, 2022, respectively. The collateral we hold does not apply to our entire outstanding reinsurance recoverable. Rather, collateral is provided on an individual contract basis, as appropriate. For each individual reinsurer, the collateral held may exceed or fall below the total outstanding recoverable from that individual reinsurer.

The long-term nature of the reinsurance contracts creates a credit risk to us over time arising from potentially uncollectible reinsurance. To mitigate that counterparty risk, we evaluate our reinsurers to assess their financial condition. The factors that underlie these reviews include a financial risk assessment as well as an internal assessment of the capitalization and the operational risk of the reinsurer. As a result of these reviews, we may make changes to the approved markets that are used in both our treaty and facultative reinsurance programs.

In light of collateral held, we believe that no exposure to a single reinsurer represents an inappropriate concentration of credit risk to the Company. Gross reinsurance assets due from reinsurers exceeding five percent of our total reinsurance assets were approximately \$945.0 million and \$1,244.3 million at December 31, 2023 and 2022, respectively, of which approximately \$465.1 million and \$564.0 million, respectively, was secured by collateral.

Estimated losses recoverable from reinsurers and the ceded portion of unearned premiums are reported as assets in our Consolidated Balance Sheets. Included in *Reinsurance recoverables* are paid loss recoverables of \$161.9 million and \$190.6 million as of December 31, 2023 and 2022, respectively. Earned premiums and losses and loss adjustment expenses are reported net of reinsurance in our Consolidated Statements of Income (Loss).

Losses and loss adjustment expenses were \$94.2 million for the period November 16, 2023 through December 31, 2023 (Successor), \$1,043.2 million for January 1, 2023 through November 15, 2023 (Predecessor), and, \$1,166.9 million for the year ended December 31, 2022, are net of amounts ceded to reinsurers of \$79.3 million, \$607.3 million, and \$958.8 million, respectively.

We are required to accept certain assigned risks and other legally mandated reinsurance obligations. Prior to the mid-1980s, we assumed various forms of casualty reinsurance for which we continue to maintain reserves for losses and loss adjustment expenses (see Note 8, "Run-off Lines"). For such assumed reinsurance transactions, we engage in various monitoring steps that are common with assumed reinsurance such as ongoing claims reviews. We assumed property related reinsurance primarily through, Argo Re and Ariel Re, and casualty related reinsurance.

Premiums were as follows:

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Years Ended December 31, 2022
(in millions)			
Direct written premiums	\$ 186.0	\$ 1,907.9	\$ 2,682.8
Reinsurance ceded to other companies	(66.8)	(803.6)	(1,106.7)
Reinsurance assumed from other companies	5.1	40.4	165.4
Net written premiums	<u>\$ 124.3</u>	<u>\$ 1,144.7</u>	<u>\$ 1,741.5</u>
Direct earned premiums	\$ 252.3	\$ 1,906.5	\$ 2,757.8
Reinsurance ceded to other companies	(98.4)	(724.9)	(1,205.3)
Reinsurance assumed from other companies	8.4	44.3	187.9
Net earned premiums	<u>\$ 162.3</u>	<u>\$ 1,225.9</u>	<u>\$ 1,740.4</u>
Percentage of reinsurance assumed to net earned premiums	5.2 %	3.6 %	10.8 %

Loss Portfolio Transfer - U.S.

On November 9, 2022, the U.S. loss portfolio transaction with Enstar covering a majority of the Company's U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019 closed. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for further discussion.

7. Reserves for Losses and Loss Adjustment Expenses

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

(in millions)	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
Net reserves beginning of the period	\$ 2,734.6	\$ 2,213.1	\$ 3,123.2
Add:			
Losses and LAE incurred during current calendar year, net of reinsurance:			
Current accident year	94.2	775.3	1,102.2
Prior accident years	—	267.9	64.7
Losses and LAE incurred during calendar year, net of reinsurance	94.2	1,043.2	1,166.9
Deduct:			
Losses and LAE payments made during current calendar year, net of reinsurance:			
Current accident year	33.5	100.6	171.5
Prior accident years	51.8	427.3	828.0
Losses and LAE payments made during current calendar year, net of reinsurance:	85.3	527.9	999.5
Add/(Deduct):			
Divestitures ⁽¹⁾	—	24.4	(35.2)
Reclassified to liabilities held-for-sale ⁽²⁾	—	—	(313.0)
Net reserves ceded to Syndicate 1200 ⁽²⁾	—	—	(129.6)
Deferred gain on U.S. loss portfolio transfer, net of amortization	—	(40.9)	
Loss portfolio transfer:			
U.S. ⁽³⁾	—	—	(472.6)
Syndicate 1200 (for years of account 2019 and 2018) ⁽⁴⁾	—	—	(144.0)
Retroactive reinsurance ⁽⁵⁾	—	21.7	—
Change in participation interest ⁽⁶⁾	—	—	34.3
Total net reserve adjustments	—	5.2	(1,060.1)
Foreign exchange adjustments	3.6	1.0	(17.4)
Net reserves - end of period	2,747.1	2,734.6	2,213.1
Add:			
Reinsurance recoverables on unpaid losses and LAE, end of year	2,797.4	2,791.8	2,838.5
Gross reserves - end of period	\$ 5,544.5	\$ 5,526.4	\$ 5,051.6

⁽¹⁾ For the period ended November 15, 2023, the adjustment relates to the year-to-date activity of Syndicate 1200 and on reinsurance contracts with AUA subsidiaries. Refer to the sale of Argo Underwriting Agency Limited in Note 2, “Recent Acquisitions, Disposals & Other Transactions” for additional information. For the period ended December 31, 2022, refer to the sale of Argo Seguros and AGSE in Note 2, “Recent Acquisitions, Disposals & Other Transactions” for additional information.

⁽²⁾ Refer to the sale of Argo Underwriting Agency Limited in Note 2, “Recent Acquisitions, Disposals & Other Transactions” for additional information. Additionally, the Company reduced net reserves in the amount of \$129.6 million for reinsurance contracts with AUA subsidiaries, which were reclassified to held-for-sale.

⁽³⁾ Loss portfolio transfer of the Company’s U.S. casualty insurance reserves for accident years 2011 to 2019. Refer to Note 2, “Recent Acquisitions, Disposals & Other Transactions” for additional information.

⁽⁴⁾ Loss portfolio transfer on Syndicate 1200’s reserves for the 2018 and 2019 years of account. Refer to Note 2, “Recent Acquisitions, Disposals & Other Transactions” for additional information.

⁽⁵⁾ In connection with the sale of AUA, the Company entered into two retroactive reinsurance agreements with AUA subsidiaries.

⁽⁶⁾ Amount represents the change in reserves due to changing our participation in Syndicates 1200 and 1910.

Reserves for losses and LAE represent the estimated indemnity cost and related adjustment expenses necessary to investigate and settle claims. Such estimates are based upon individual case estimates for reported claims, estimates from ceding companies for reinsurance assumed and actuarial estimates for losses that have been incurred but not yet reported to the insurer. Any change in probable ultimate liabilities is reflected in current operating results.

The Company did not incur net losses and loss adjustment expenses attributed to the COVID-19 pandemic for the year ended December 31, 2023 and December 31, 2022. Property losses relate to sub-limited affirmative business interruption coverage, primarily in certain International markets, as well as expected costs associated with claims handling.

The impact from the net unfavorable (favorable) development of prior accident years' losses and LAE reserves on each reporting segment is presented below:

(in millions)	Predecessor	
	Period from	For the Year Ended
	January 1, 2023 through November 15, 2023	December 31, 2022
U.S. Operations	\$ 246.3	\$ 64.5
International Operations	21.4	(2.7)
Run-off Lines	0.2	2.9
Total (favorable) unfavorable prior-year development	<u>\$ 267.9</u>	<u>\$ 64.7</u>

The Company did not recognize any development of prior accident years' losses and LAE reserves for the period November 16, 2023 through December 31, 2023 (Successor).

The following describes the primary factors behind each segment's net prior accident year reserve development for the period for January 1, 2023 through November 15, 2023 (Predecessor), and year ended December 31, 2022:

Period ended January 1, 2023 through November 15, 2023 (Predecessor):

- *U.S. Operations:* Net unfavorable development primarily related to liability lines and professional lines, including the impact of large losses partially offset by favorable development in specialty lines. The liability lines movement was largely due to businesses we have exited. The professional lines movement largely impacted accident years 2019 through 2021.
- *International Operations:* Net unfavorable development primarily related to unfavorable development in professional and liability lines in Argo Insurance Bermuda.
- *Run-off Lines:* Net unfavorable development primarily related to asbestos and environmental lines largely offset by favorable loss reserve development in run-off workers compensation and liability losses excluding asbestos and environmental.

Year ended December 31, 2022:

- *U.S. Operations:* Net unfavorable development primarily related to liability lines, including the impact of large losses and claims alleging construction defect, and driven by businesses we have exited, partially offset by favorable development in specialty and professional lines. The net unfavorable prior year development relates to accident years 2019 and prior partially offset by favorable prior year development on accident years 2020 and 2021.
- *International Operations:* Net favorable development primarily related to favorable development in liability and specialty lines, partially offset by unfavorable development from professional and property lines. The professional lines development included large claim movements in Argo Insurance Bermuda.
- *Run-off Lines:* Net unfavorable development primarily related to asbestos and environmental lines partially offset by favorable loss reserve development in run-off liability losses excluding asbestos and environmental.

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

Actuarial models base future emergence on historic experience, with adjustments for current trends, and the appropriateness of these assumptions involved more uncertainty as of December 31, 2023. We expect there will be impacts to the timing of loss emergence and ultimate loss ratios for certain coverages we underwrite. The industry is experiencing new issues, including the temporary suspension of civil court cases in most states, the extension of certain statutes of limitations and the impact on our insureds from a significant reduction in economic activity. Our booked reserves include consideration of these factors, but legislative, regulatory or judicial actions could result in loss reserve deficiencies and reduce earnings in future periods.

Short-Duration Contract Disclosures

Our basis for disaggregating short-duration contracts is by each of our two ongoing reporting segments, U.S. Operations and International Operations, with International Operations further disaggregated by operating divisions. We have chosen to disaggregate the data in this way so as to not obscure useful information by otherwise aggregating items with significantly different characteristics.

Operating Divisions

Our U.S. Operations reporting segment is comprised of one primary operating division. International Operations' primary operating division is Argo Insurance Bermuda, further described below.

Argo Insurance Bermuda

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

Lines of Business

We use an underwriting committee structure to monitor and evaluate the operating performance of our lines of business. The underwriting committees are organized to allow products or coverages with similar characteristics to be managed and evaluated in distinct groups. Using this approach, our insurance business is categorized into underwriting groups, which are Property, Liability, Professional, and Specialty. Noted below are descriptions of the types of characteristics considered to disaggregate our business into these groups, as well as other qualitative factors to consider when using the information contained in the following incurred and paid claims development tables.

Property

Property losses are generally reported within a short period of time from the date of loss, and in most instances, property claims are settled and paid within a relatively short timeframe. However, Property can be impacted by catastrophe losses which can be more complex than non-catastrophe Property claims due to factors such as difficulty accessing impacted areas and other physical, legal and regulatory impediments potentially extending the period of time it takes to settle and pay claims.

Liability

Our Liability business generally covers exposures where most claims are reported without a significant time lag between the event that gives rise to a claim and the date the claim is reported to us, but certain claims like those alleging construction defect can involve a longer time period between the event and the date the claim is reported to us. Since facts and information are frequently not complete at the time claims are reported to us, and because protracted litigation is sometimes involved, it can be several years before the ultimate value of these claims is determined. In our Argo Bermuda Insurance division, much of the business covers higher layers, potentially increasing the time it takes to fully determine our exposure.

Professional

Much of our Professional business is written on a claims-made basis resulting in coverage only for claims that are reported to us during the year in which the policy is effective, thus reducing the number of claims that will become known to us after the end of the policy expiration date. However, facts and information are frequently not complete at the time claims are reported to us, and protracted litigation is sometimes involved. It can be several years before the ultimate value of these claims is determined. In our Argo Bermuda Insurance division, much of the business covers higher layers, potentially increasing the time it takes to fully determine our exposure.

Specialty

Specialty lines losses are generally reported within a short period of time from the date of loss, and in most instances, Specialty lines claims are settled and paid within a relatively short timeframe. However, Specialty lines can be impacted by larger losses where facts and information are frequently not complete at the time claims are reported to us. These large losses can be more complex than smaller Specialty claims due to factors such as difficulty determining actual damages and other physical, legal and regulatory impediments potentially extending the period of time it takes to settle and pay claims.

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

U.S. Operations

- *Liability*: primary and excess specialty casualty, construction defect, general liability, commercial multi-peril, workers compensation, product liability, environmental liability, and auto liability
- *Professional*: management liability, transaction liability and errors and omissions liability

- *Property*: primary and excess property, inland marine and auto physical damage
- *Specialty*: surety, animal mortality and ocean marine

Argo Insurance Bermuda

- *Liability*: general and products liability
- *Professional*: directors and officers liability, errors and omissions liability and employment practices liability
- *Property*: a wide range of commercial, industrial and residential property

Run-off Lines Segment

We have a Run-off Lines segment for certain products that we no longer underwrite, including asbestos and environmental claims. We have excluded the Run-off Lines segment from the following disaggregated short-duration contract disclosures due to its insignificance to our consolidated financial position and results of operations, both quantitatively and qualitatively. Gross reserves for losses and LAE in Run-off Lines account for less than 4% of our consolidated gross reserves for losses and LAE, and are primarily related to accident years prior to the mid-1990s. As such, claims development tables for the most recent ten accident years would not provide meaningful information to users of our financial statements, as the majority of the remaining reserves for losses and LAE would be for accident years not separately presented. See Note 8, “*Run-off Lines*,” for further information on this segment, including discussion of prior accidents years’ development.

Loss Portfolio Transfers

On August 8, 2022, the Company entered into a loss portfolio transfer agreement with a wholly-owned subsidiary of Enstar covering a majority of the Company’s U.S. casualty insurance reserves, including construction, for accident years 2011 to 2019. See Note 2, “Recent Acquisitions, Disposals & Other Transactions” for additional information on the U.S. loss portfolio transfer. The activity in the claims development table includes the impact of this agreement.

Reserves for IBNR Claims

Reserves for IBNR claims are based on the estimated ultimate cost of settling claims, including the effects of inflation and other social and economic factors, using past experience adjusted for current trends and any other factors that would modify past experience. We use a variety of actuarial techniques to analyze current claims costs, including frequency and severity data. These actuarial techniques consider variables such as past loss experience, current claims trends, and prevailing economic, social and legal environments. Each such method has its own set of assumptions and outputs, and each has strengths and weaknesses in different areas. Since no single estimation method is superior to another method in all situations, the methods and assumptions used to project loss reserves will vary by coverage and product. We use what we believe to be the most appropriate set of actuarial methods and assumptions for each product line grouping and coverage. While the loss projection methods may vary by product line and coverage, the general approach for calculating IBNR remains the same: ultimate losses are forecasted first, and that amount is reduced by the amount of cumulative paid claims and case reserves. Reserves established in prior years are adjusted as loss experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the results of operations in the year in which they are made.

As described above, various actuarial methods are used to determine the reserves for losses and LAE recorded in our Consolidated Balance Sheets. Weightings of methods at a detailed level may change from evaluation to evaluation based on a number of observations, measures, and time elements. In comparing loss reserve methods and assumptions used at December 31, 2023 as compared with methods and assumptions used at December 31, 2022, management has not changed or adjusted methodologies or assumptions in any significant manner.

Incurred & Paid Claims Development Disclosures

The following tables provide information about incurred and cumulative paid losses and allocated loss adjustment expenses (“ALAE”), net of reinsurance. The following tables also include IBNR reserves plus expected development on reported claims and the cumulative number of reported claims as of December 31, 2023.

Reporting Segment: U.S. Operations
Line of Business: Liability
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾
2014	\$ 328.6	\$ 337.1	\$ 330.0	\$ 326.3	\$ 323.9	\$ 321.9	\$ 327.4	\$ 341.3	\$ 310.7	\$ 312.1
2015		339.8	343.8	330.3	328.7	328.0	335.4	347.9	318.9	321.5
2016			342.6	350.5	342.4	353.0	355.3	379.0	349.1	354.5
2017				374.8	373.7	384.3	397.7	431.7	385.2	391.2
2018					426.1	430.4	414.5	420.4	366.5	390.7
2019						421.1	423.7	427.1	318.6	353.1
2020							404.2	386.7	371.1	433.9
2021								416.4	419.1	461.2
2022									439.5	466.9
2023										435.8
									Total	<u>\$ 3,920.9</u>

Cumulative Paid Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾
2014	\$ 32.4	\$ 91.0	\$ 154.6	\$ 206.9	\$ 240.6	\$ 266.3	\$ 283.2	\$ 291.4	\$ 304.4	\$ 305.8
2015		33.7	86.9	140.2	195.6	236.4	263.9	289.3	305.6	307.2
2016			28.5	84.5	144.1	217.1	255.6	293.8	327.1	331.8
2017				27.8	83.0	158.8	238.5	295.2	348.0	354.2
2018					34.3	98.9	175.8	245.5	315.9	335.7
2019						32.4	113.6	186.1	260.1	290.6
2020							25.6	85.9	149.0	228.7
2021								27.5	83.1	164.8
2022									27.2	92.0
2023										22.4
									Total	<u>\$ 2,433.2</u>
										Other outstanding liabilities including unpaid loss and ALAE prior to 2014, net of reinsurance
										58.7
										Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance
										<u>\$ 1,546.4</u>

As of December 31, 2023

Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims ⁽²⁾
2014	\$ 312.1	\$ (7.0)	22,319
2015	321.5	(1.3)	20,936
2016	354.5	4.9	18,105
2017	391.2	0.1	20,982
2018	390.7	6.1	23,539
2019	353.1	(4.2)	22,976
2020	433.9	115.1	18,812
2021	461.2	211.7	15,248
2022	466.9	291.5	13,729
2023	435.8	361.0	10,514

⁽¹⁾ Information presented for calendar years prior to 2023 is required supplementary information and is unaudited.

⁽²⁾ During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31, 2021 is not comparable to the cumulative number of reported claims disclosed in previously issued financial statements.

Reporting Segment: U.S. Operations
Line of Business: Professional
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance																						
For the Years Ended December 31,																						
Accident Year	2014⁽¹⁾		2015⁽¹⁾		2016⁽¹⁾		2017⁽¹⁾		2018⁽¹⁾		2019⁽¹⁾		2020⁽¹⁾		2021⁽¹⁾		2022⁽¹⁾		2023⁽¹⁾			
2014	\$	22.4	\$	22.4	\$	26.0	\$	33.7	\$	36.2	\$	35.4	\$	35.1	\$	34.4	\$	32.7	\$	32.7		
2015				29.9		29.5		33.2		34.0		37.1		37.9		38.3		31.3		31.3		
2016						44.2		44.8		45.1		42.9		35.5		43.0		43.5		46.1		
2017								60.1		61.8		78.3		87.9		99.5		87.0		87.3		
2018										70.8		73.2		79.2		94.8		88.5		87.8		
2019												94.4		96.8		105.0		94.5		117.7		
2020														152.6		142.6		127.8		160.0		
2021																177.8		159.5		159.6		
2022																		185.4		169.1		
2023																				164.0		
																					Total	1,055.6

Cumulative Paid Losses & ALAE, Net of Reinsurance																							
For the Years Ended December 31,																							
Accident Year	2014⁽¹⁾		2015⁽¹⁾		2016⁽¹⁾		2017⁽¹⁾		2018⁽¹⁾		2019⁽¹⁾		2020⁽¹⁾		2021⁽¹⁾		2022⁽¹⁾		2023⁽¹⁾				
2014	\$	2.3	\$	5.4	\$	15.1	\$	24.1	\$	25.5	\$	32.3	\$	33.3	\$	33.6	\$	33.5	\$	33.6			
2015				1.8		8.3		15.6		20.8		26.2		31.3		31.7		33.8		33.8			
2016						2.4		11.9		24.6		28.9		30.8		34.4		38.3		43.5			
2017								3.5		24.9		38.0		59.7		77.9		85.5		85.5			
2018										4.5		16.7		43.8		62.6		78.8		79.7			
2019												4.9		32.9		50.0		81.7		92.9			
2020														13.3		36.4		70.5		81.6			
2021																12.2		39.6		54.7			
2022																		14.3		25.7			
2023																				4.1			
																					Total	\$ 535.1	
																						Other outstanding liabilities including unpaid loss and ALAE prior to 2014, net of reinsurance	11.5
																						Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance	\$ 532.0

As of December 31, 2023

Accident Year	Incurred Losses & ALAE, Net of Reinsurance		IBNR & Expected Development on Reported Claims		Cumulative Number of Reported Claims⁽²⁾	
2014	\$		\$			1,044
2015						1,832
2016						3,264
2017						3,774
2018						4,298
2019						4,901
2020						5,012
2021						5,153
2022						5,120
2023						4,396

⁽¹⁾ Information presented for calendar years prior to 2023 is required supplementary information and is unaudited.

⁽²⁾ During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31, 2021 is not comparable to the cumulative number of reported claims disclosed in previously issued financial statements.

Reporting Segment: U.S. Operations
Line of Business: Property
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance											
For the Years Ended December 31,											
Accident Year	2014⁽¹⁾	2015⁽¹⁾	2016⁽¹⁾	2017⁽¹⁾	2018⁽¹⁾	2019⁽¹⁾	2020⁽¹⁾	2021⁽¹⁾	2022⁽¹⁾	2023⁽¹⁾	
2014	\$ 80.4	\$ 82.2	\$ 77.0	\$ 77.1	\$ 76.9	\$ 76.9	\$ 76.1	\$ 76.0	\$ 76.1	\$ 74.8	
2015		74.0	73.4	69.9	68.9	69.1	69.2	69.2	68.4	67.8	
2016			59.4	57.6	57.1	56.6	56.6	56.5	54.2	54.4	
2017				75.2	79.6	86.9	94.9	94.5	97.4	91.3	
2018					89.2	93.1	95.1	96.9	102.4	101.1	
2019						91.4	88.8	98.4	97.9	90.3	
2020							129.5	133.2	133.1	134.0	
2021								111.7	114.8	116.7	
2022									103.1	104.4	
2023										94.7	
									Total	<u>\$ 929.5</u>	

Cumulative Paid Losses & ALAE, Net of Reinsurance											
For the Years Ended December 31,											
Accident Year	2014⁽¹⁾	2015⁽¹⁾	2016⁽¹⁾	2017⁽¹⁾	2018⁽¹⁾	2019⁽¹⁾	2020⁽¹⁾	2021⁽¹⁾	2022⁽¹⁾	2023⁽¹⁾	
2014	\$ 51.6	\$ 73.1	\$ 75.7	\$ 76.4	\$ 76.3	\$ 76.4	\$ 76.1	\$ 76.0	\$ 76.0	\$ 76.0	\$ 76.0
2015		44.6	67.6	68.6	67.9	68.3	68.5	69.0	68.6	68.6	
2016			39.4	55.2	55.8	56.1	56.4	56.3	54.5	54.5	
2017				54.4	95.3	113.9	100.8	88.4	95.1	90.5	
2018					61.3	126.7	107.0	98.8	101.4	102.5	
2019						55.8	82.4	90.9	94.0	96.0	
2020							75.9	116.6	121.6	126.6	
2021								71.3	118.3	118.2	
2022									52.2	94.7	
2023										59.1	
									Total	<u>886.7</u>	
											Other outstanding liabilities including unpaid loss and ALAE prior to 2014, net of reinsurance
											0.5
											Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance
											<u>\$ 43.3</u>

As of December 31, 2023

Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims⁽²⁾
2014	\$ 74.8	\$ (1.2)	8,057
2015	67.8	(0.8)	7,362
2016	54.4	(0.1)	7,701
2017	91.3	(2.6)	9,930
2018	101.1	(4.3)	10,881
2019	90.3	(6.9)	11,496
2020	134.0	(6.4)	11,379
2021	116.7	(5.8)	10,312
2022	104.4	2.6	9,119
2023	94.7	16.2	7,707

⁽¹⁾ Information presented for calendar years prior to 2023 is required supplementary information and is unaudited.

⁽²⁾ During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31, 2021 is not comparable to the cumulative number of reported claims disclosed in previously issued financial statements.

Reporting Segment: U.S. Operations
Line of Business: Specialty
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance																					
For the Years Ended December 31,																					
Accident Year	2014⁽¹⁾		2015⁽¹⁾		2016⁽¹⁾		2017⁽¹⁾		2018⁽¹⁾		2019⁽¹⁾		2020⁽¹⁾		2021⁽¹⁾		2022⁽¹⁾		2023⁽¹⁾		
2014	\$	13.1	\$	13.1	\$	8.9	\$	6.0	\$	4.8	\$	4.6	\$	4.6	\$	4.1	\$	4.1	\$	4.1	
2015				14.8		14.3		9.5		5.5		1.2		0.5		0.3		0.2		0.2	
2016						15.0		15.0		11.2		6.2		4.7		3.3		3.2		2.8	
2017								16.2		16.2		7.6		0.9		0.7		0.7		0.6	
2018										20.9		17.4		3.3		3.5		3.5		3.3	
2019												22.7		8.5		5.6		5.9		5.8	
2020														25.4		10.3		15.9		15.0	
2021																27.9		5.2		2.0	
2022																		33.0		28.9	
2023																				34.6	
																				Total	\$ 97.3

Cumulative Paid Losses & ALAE, Net of Reinsurance																					
For the Years Ended December 31,																					
Accident Year	2014⁽¹⁾		2015⁽¹⁾		2016⁽¹⁾		2017⁽¹⁾		2018⁽¹⁾		2019⁽¹⁾		2020⁽¹⁾		2021⁽¹⁾		2022⁽¹⁾		2023⁽¹⁾		
2014	\$	1.1	\$	3.3	\$	4.0	\$	4.0	\$	4.1	\$	4.1	\$	4.0	\$	4.1	\$	4.1	\$	4.1	
2015				0.2		0.1		0.2		0.3		0.3		0.3		0.3		0.2		0.2	
2016						1.3		1.6		2.2		2.2		2.2		2.8		2.8		2.8	
2017								0.3		0.1		—		0.1		0.2		0.2		0.2	
2018										—		0.7		1.7		1.2		2.4		2.9	
2019												0.7		0.7		3.2		5.4		5.2	
2020														0.3		7.6		10.6		10.5	
2021																0.2		1.4		1.6	
2022																		0.1		13.4	
2023																				1.1	
																				Total	42.0
																				Other outstanding liabilities including unpaid loss and ALAE prior to 2014, net of reinsurance	0.6
																				Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance	\$ 55.9

As of December 31, 2023

Accident Year	Incurred Losses & ALAE, Net of Reinsurance		IBNR & Expected Development on Reported Claims		Cumulative Number of Reported Claims⁽²⁾
2014	\$		\$	4.1	20
2015				0.2	14
2016				2.8	46
2017				0.6	62
2018				3.3	82
2019				5.8	124
2020				15.0	274
2021				2.0	291
2022				28.9	257
2023				34.6	175

⁽¹⁾ Information presented for calendar years prior to 2023 is required supplementary information and is unaudited.

⁽²⁾ During 2021, the Company revised the manner in which it measures reported claims. The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims. During 2021, we implemented additional processes to consolidate multiple data sources for U.S. Operations reserving. As part of that process, the level of detail used to determine the number of reported claims for some of the business units in US Operations changed. As a result, the cumulative number of reported claims for each accident year presented above as of December 31, 2021 is not comparable to the cumulative number of reported claims disclosed in previously issued financial statements.

Reporting Segment: International Operations
Operating Division: Argo Insurance Bermuda
Line of Business: Liability
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance											
For the Years Ended December 31,											
Accident Year	2014⁽¹⁾	2015⁽¹⁾	2016⁽¹⁾	2017⁽¹⁾	2018⁽¹⁾	2019⁽¹⁾	2020⁽¹⁾	2021⁽¹⁾	2022⁽¹⁾	2023⁽¹⁾	
2014	\$ 9.8	\$ 9.8	\$ 9.8	\$ 6.2	\$ 1.5	\$ 2.3	\$ 2.3	\$ 1.6	\$ 1.6	\$ 1.6	
2015		11.3	14.3	24.8	35.4	45.4	45.1	51.3	50.3	50.3	
2016			13.9	14.0	14.0	6.6	6.1	0.8	2.4	6.5	
2017				17.1	17.3	26.9	30.3	37.3	44.3	46.2	
2018					8.9	32.1	26.6	24.2	22.9	19.8	
2019						13.3	13.6	13.8	13.3	13.3	
2020							23.3	24.9	12.4	12.4	
2021								12.3	11.4	12.4	
2022									11.1	11.1	
2023										12.7	
										Total	<u>\$ 186.3</u>

Cumulative Paid Losses & ALAE, Net of Reinsurance											
For the Years Ended December 31,											
Accident Year	2014⁽¹⁾	2015⁽¹⁾	2016⁽¹⁾	2017⁽¹⁾	2018⁽¹⁾	2019⁽¹⁾	2020⁽¹⁾	2021⁽¹⁾	2022⁽¹⁾	2023⁽¹⁾	
2014	\$ —	\$ —	\$ 0.1	\$ 0.1	\$ 1.2	\$ 1.2	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.4
2015		—	—	16.1	20.3	26.6	34.8	38.9	50.2	50.3	
2016			—	—	—	0.1	0.1	0.2	0.3	0.3	
2017				—	3.3	3.4	18.0	19.7	22.0	27.6	
2018					—	13.8	18.3	18.5	18.5	19.1	
2019						—	0.1	0.7	0.6	0.9	
2020							0.8	7.0	0.5	0.6	
2021								—	—	0.3	
2022									—	—	
2023										—	
										Total	<u>\$ 100.5</u>
											Other outstanding liabilities including unpaid loss and ALAE prior to 2014, net of reinsurance
											2.5
											Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance
											<u>\$ 88.3</u>

As of December 31, 2023

Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims⁽²⁾
2014	\$ 1.6	\$ (0.4)	1,361
2015	50.3	—	1,629
2016	6.5	6.0	1,969
2017	46.2	7.8	2,176
2018	19.8	0.4	1,159
2019	13.3	12.4	1,254
2020	12.4	7.0	1,434
2021	12.4	6.2	1,436
2022	11.1	11.1	1,293
2023	12.7	12.5	1,519

⁽¹⁾ Information presented for calendar years prior to 2023 is required supplementary information and is unaudited.

⁽²⁾ The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims.

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

Incurred Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾
2014	\$ 4.0	\$ 4.0	\$ 4.0	\$ 4.0	\$ 3.9	\$ 10.2	\$ 12.5	\$ 8.1	\$ 10.1	\$ 10.1
2015		4.9	4.9	4.9	2.7	5.0	5.2	7.3	7.9	5.2
2016			6.7	6.7	4.8	3.1	7.3	3.1	1.9	3.8
2017				7.6	7.6	9.7	9.5	12.4	10.5	15.3
2018					8.3	8.3	8.0	6.5	21.3	36.8
2019						9.6	8.7	16.4	18.3	18.1
2020							10.4	10.4	10.4	11.1
2021								13.0	13.0	12.3
2022									9.5	9.4
2023										15.9
									Total	\$ 138.0

Cumulative Paid Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾
2014	\$ —	\$ —	\$ —	\$ 0.3	\$ 1.0	\$ 0.4	\$ 3.2	\$ 0.4	\$ 0.4	\$ 0.4
2015		—	—	—	—	—	—	2.9	2.9	4.0
2016			—	—	—	—	—	—	—	0.1
2017				0.1	0.1	4.9	9.8	9.8	9.8	9.9
2018					—	—	2.0	2.1	6.0	6.1
2019						2.0	0.6	0.6	0.7	0.7
2020							—	—	—	6.1
2021								—	—	—
2022									—	—
2023										—
									Total	\$ 27.3
										3.2
										\$ 113.9

As of December 31, 2023

Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims ⁽²⁾
2014	\$ 10.1	\$ 2.3	\$ 1,130
2015	5.2	1.1	1,158
2016	3.8	3.7	1,280
2017	15.3	5.3	1,471
2018	36.8	23.0	1,101
2019	18.1	7.1	1,111
2020	11.1	5.0	965
2021	12.3	11.5	858
2022	9.4	9.4	844
2023	15.9	15.8	883

⁽¹⁾ Information presented for calendar years prior to 2023 is required supplementary information and is unaudited.

⁽²⁾ The cumulative number of reported claims is measured by individual claimant at a coverage level. Reported occurrences that do not result in a liability are included as reported claims.

The reconciliation of the net incurred and paid development tables to the liability for unpaid losses and LAE in our Consolidated Balance Sheets is as follows:

(in millions)	As of December 31, 2023
Liabilities for unpaid losses and ALAE:	
US Operations:	
Liability	\$ 1,546.4
Professional	532.0
Property	43.3
Specialty	55.9
International Operations:	
Argo Insurance Bermuda- Liability	88.3
Argo Insurance Bermuda- Professional	113.9
Run-off Lines	147.7
Other lines	169.7
Total liabilities for unpaid losses and ALAE, net of reinsurance	2,697.2
Reinsurance recoverables on unpaid losses and LAE:	
US Operations:	
Liability	1,382.6
Professional	424.4
Property	169.9
Specialty	25.5
International Operations:	
Argo Insurance Bermuda- Liability	246.3
Argo Insurance Bermuda- Professional	181.7
Run-off Lines	53.2
Other lines	313.8
Total reinsurance recoverables on unpaid losses and LAE	2,797.4
Unallocated loss adjustment expenses	70.7
Unamortized reserve discount	(20.8)
Gross liability for unpaid losses and LAE	<u>\$ 5,544.5</u>

Other lines in the table above are comprised of lines of business and operating divisions within our two ongoing reporting segments which are not individually significant for separate disaggregated disclosure.

Claims Duration

The following table provides supplementary unaudited information about the annual percentage payout of incurred losses and ALAE, net of reinsurance, as of December 31, 2023:

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance ⁽¹⁾										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Remainder
U.S. Operations:											
U.S. Liability	8.6%	18.8%	20.8%	21.4%	11.8%	7.1%	4.2%	2.5%	1.6%	1.0%	2.2%
U.S. Professional	7.1%	17.5%	19.6%	17.3%	13.2%	9.2%	6.1%	3.9%	2.4%	1.5%	2.2%
U.S. Property	56.4%	35.8%	5.7%	1.6%	0.4%	0.1%	—%	—%	—%	—%	—%
U.S. Specialty	15.2%	47.8%	23.8%	8.6%	2.5%	1.1%	0.5%	0.2%	0.1%	0.1%	0.1%
International Operations:											
Bermuda Insurance Professional	2.7%	7.6%	11.8%	13.7%	13.5%	11.9%	9.8%	7.7%	5.9%	4.4%	11.1%
Bermuda Insurance Liability	0.5%	13.5%	18.4%	14.7%	10.7%	7.8%	5.9%	4.5%	3.6%	2.9%	17.5%

⁽¹⁾ The average annual percentage payout is calculated from a paid losses and ALAE development pattern based on an actuarial analysis of the paid losses and ALAE movements by accident year for each disaggregation category. The paid losses and ALAE development pattern provides the expected percentage of ultimate losses and ALAE to be paid in each year. The pattern considers all accident years included in the claim's development tables.

Information About Amounts Reported at Present Value

We discount certain workers compensation liabilities for unpaid losses and LAE within our U.S. Operations and Run-off Lines segments. The discounted U.S. Operations liabilities relate to all non-ALAE workers compensation liabilities within one of our insurance subsidiaries. In Run-off Lines, we discount certain pension-type liabilities for unpaid losses and LAE. The following tables provide information about these discounted liabilities for unpaid losses and LAE:

(in millions, except discount percentages)	Carrying Amount of		Aggregate Amount of Discount	
	Reserves for Losses & LAE		As of December 31,	
	As of December 31,		As of December 31,	
	2023	2022	2023	2022
US Operations:				
Commercial Specialty - Liability	\$ 182.6	\$ 168.0	\$ 16.1	\$ 14.7
Run-off Lines	76.8	93.0	4.7	4.6
Total	\$ 259.4	\$ 261.0	\$ 20.8	\$ 19.3

	Successor	Interest Accretion ⁽¹⁾		Discount Rate			
		Predecessor		As of December 31,			
		Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended		2023	2022
				December 31, 2022			
US Operations:							
Commercial Specialty - Liability	\$ 0.1	\$ 1.3	\$ 1.7	2.25%	2.25%		
Run-off Lines	—	0.1	0.1	3.50%	3.50%		
Total	\$ 0.1	\$ 1.4	\$ 1.8				

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

8. Run-off Lines

We have discontinued active underwriting of certain lines of business, including those lines that were previously recorded in Argo Group's risk-management segment. All current activity within these lines is related to the management of claims and other administrative functions. Also included in Run-off Lines are other liability reserves, which include exposure to claims for asbestos and environmental liabilities written in past years. The other liability reserves are often characterized by long elapsed periods between the occurrence of a claim and ultimate payment to resolve the claim. We use a specialized staff dedicated to administer and settle these claims.

The following table presents our gross reserves for Run-off Lines:

(in millions)	December 31,	
	2023	2022
Asbestos and Environmental:		
Reinsurance assumed	\$ 30.4	\$ 31.1
Other	29.0	34.4
Total Asbestos and Environmental	59.4	65.5
Risk-management	119.0	144.6
Run-off reinsurance lines	0.4	0.4
Other run-off lines	17.3	22.6
Gross reserves - Run-off Lines	<u>\$ 196.1</u>	<u>\$ 233.1</u>

We have received asbestos and environmental liability claims arising from other liability coverage primarily written in the 1960s, 1970s and into the early 1980s. Asbestos and environmental claims originate from policies directly underwritten by us and from reinsurance assumed during this period, including a portion assumed from the London market. Reserves for other run-off lines relate to other liability coverage primarily written in the 1970's, with recent claim activity relating to abuse claims.

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

(in millions)	December 31,	
	2023	2022
Direct written		
Case reserves	\$ 2.9	\$ 3.2
Unallocated loss adjustment expense	0.5	0.5
Incurring but not reported	14.3	17.4
Total direct written reserves	17.7	21.1
Assumed domestic		
Case reserves	7.6	6.8
Unallocated loss adjustment expense	0.8	0.8
Incurring but not reported	11.6	13.0
Total assumed domestic reserves	20.0	20.6
Assumed London		
Case reserves	2.8	2.4
Incurring but not reported	0.1	2.6
Total assumed London reserves	2.9	5.0
Total asbestos reserves	<u>\$ 40.6</u>	<u>\$ 46.7</u>

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

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
(in millions)			
Asbestos and Environmental:			
Reinsurance assumed	\$ —	\$ —	\$ 3.5
Other	0.3	1.2	7.0
Total Asbestos and Environmental	0.3	1.2	10.5
Risk-management	—	—	1.4
Other run-off lines	0.4	2.0	(8.3)
Total underwriting loss - Run-off Lines	\$ 0.7	\$ 3.2	\$ 3.6

Reserves for asbestos and environmental claims cannot be estimated with traditional loss reserving techniques that rely on historical accident year loss development factors. The uncertainty in the asbestos and environmental reserves estimates arises from several factors including lack of actuarially credible historical data, inapplicability of standard actuarial projection techniques, uncertainty with regards to claim costs, coverage interpretations and judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. It is impossible to predict how the courts will interpret coverage issues and these resolutions may have a material impact on the ultimate resolution of the asbestos and environmental liabilities. We use a variety of estimation methods to calculate reserves as a whole; however, reserves for asbestos and environmental claims were determined using a variety of methods which rely on historical claim reporting and average claim cost information. We apply greatest weight to the method that projects future calendar period claims and average claim costs because it best captures the unique claim characteristics of our underlying exposures. Although management has recorded its best estimate of loss reserves, due to the uncertainties of estimation of liability that may arise as discussed herein, further deterioration of claims could occur in the future.

Please see Note 7, “Reserves for Losses and Loss Adjustment Expenses” for further discussion.

9. Long-term Debt

Senior Unsecured Fixed Rate Notes

The Company recorded its debt at its fair value as of November 16, 2023 due to push-down accounting which included a discount rate to the total principal amount. The discount is being amortized to *Interest expense* in our Consolidated Statements of Income (Loss) using the effective yield method over the remaining period of the underlying debt obligations.

In September 2012, Argo Re (the “Parent Guarantor”), through its subsidiary Argo Group US (the “Subsidiary Issuer”), issued \$143.8 million aggregate principal amount of the Subsidiary Issuer’s 6.5% Senior Notes due September 15, 2042 (the “Notes”). The Notes are unsecured and unsubordinated obligations of the Subsidiary Issuer and rank equally in right of payment with all of the Subsidiary Issuer’s other unsecured and unsubordinated debt. The Notes are guaranteed on a full and unconditional senior unsecured basis by the Parent Guarantor. The Notes may be redeemed, for cash, in whole or in part, on or after September 15, 2017, at the Subsidiary Issuer’s option, at any time and from time to time, prior to maturity at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date.

In accordance with ASU 2015-3, “Simplifying the Presentation of Debt Issuance Costs” (Topic 835), we present the unamortized debt issuance costs in the balance sheet as a direct deduction from the carrying value of the debt liability. At December 31, 2023 and 2022, the Notes consisted of the following:

(in millions)	December 31, 2023	December 31, 2022
Senior unsecured fixed rate notes		
Principal	\$ 143.8	\$ 143.8
Less: unamortized debt issuance costs and fair value adjustment	(15.8)	(3.3)
Senior unsecured fixed rate notes, less unamortized debt issuance costs	\$ 128.0	\$ 140.5

Junior Subordinated Debentures

Through a series of trusts, that are wholly-owned subsidiaries (non-consolidated), we issued debt. The debentures are variable with the rate being reset quarterly and subject to certain interest rate ceilings. Interest payments are payable quarterly. The debentures are all unsecured and are subordinated to other indebtedness. At December 31, 2023 and 2022, all debentures were eligible for redemption subject to certain terms and conditions at a price equal to 100% of the principal plus accrued and unpaid interest.

A summary of our outstanding junior subordinated debentures is presented below:

December 31, 2023

(in millions)				Interest Rates at	
Issue Date	Trust Preferred Pools	Maturity	Rate Structure	December 31, 2023	Amount
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M SOFR + TSA + 4.10%	9.74%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M SOFR + TSA + 4.10%	9.76%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M SOFR + TSA + 3.85%	9.49%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M SOFR + TSA + 3.85%	9.49%	12.3
5/12/2004	Argonaut Group Statutory Trust VI	6/17/2034	3M SOFR + TSA + 3.80%	9.47%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M SOFR + TSA + 3.60%	9.25%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M SOFR + TSA + 3.55%	9.18%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M SOFR + TSA + 3.60%	9.25%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M SOFR + TSA + 3.40%	9.05%	30.9
Less: fair value adjustment					(10.5)
Total Outstanding					<u>\$ 133.8</u>

December 31, 2022

(in millions)				Interest Rates at	
Issue Date	Trust Preferred Pools	Maturity	Rate Structure	December 31, 2022	Amount
5/15/2003	Argonaut Group Statutory Trust I	5/15/2033	3M LIBOR + 4.10%	8.71%	15.5
12/16/2003	Argonaut Group Statutory Trust III	1/8/2034	3M LIBOR + 4.10%	8.18%	12.3
4/29/2004	Argonaut Group Statutory Trust IV	4/29/2034	3M LIBOR + 3.85%	8.50%	13.4
5/26/2004	Argonaut Group Statutory Trust V	5/24/2034	3M LIBOR + 3.85%	8.61%	12.3
5/12/2004	Argonaut Group Statutory Trust VI	6/17/2034	3M LIBOR + 3.80%	8.54%	13.4
9/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	8.37%	15.5
9/22/2004	Argonaut Group Statutory Trust VIII	9/22/2034	3M LIBOR + 3.55%	8.30%	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	8.37%	15.5
9/14/2005	Argonaut Group Statutory Trust X	9/15/2035	3M LIBOR + 3.40%	8.17%	30.9
Total Outstanding					<u>\$ 144.3</u>

Junior Subordinated Debentures from Parent

Unsecured junior subordinated debentures with a principal balance of \$91.8 million were assumed through the acquisition of Maybrooke (“the acquired debt”). The acquired debt is carried on our Consolidated Balance Sheets at \$80.4 million, which represents the debt’s fair value at the date of acquisition plus accumulated accretion of discount to par value, as required by accounting for business combinations under ASC 805. At December 31, 2023, the acquired debt was eligible for redemption at par. Interest accrues on the acquired debt based on a variable rate, which is reset quarterly. Interest payments are payable quarterly.

A summary of the terms of the acquired debt outstanding is presented below:

December 31, 2023

(in millions)			Interest Rate at	Principal at	Carrying Value at
Issue Date	Maturity	Rate Structure	December 31, 2023	December 31, 2023	December 31, 2023
9/13/2007	9/15/2037	3 month LIBOR + 3.15%	8.79 %	\$ 91.8	\$ 80.4

December 31, 2022

(in millions)			Interest Rate at	Principal at	Carrying Value at
Issue Date	Maturity	Rate Structure	December 31, 2022	December 31, 2022	December 31, 2022
9/13/2007	9/15/2037	3 month LIBOR + 3.15%	7.92 %	\$ 91.8	\$ 85.9

Other Indebtedness

The following table presents interest and maturities of long-term debt as of December 31, 2023:

(in millions)	Total	For the Years Ended					
		2024	2025	2026	2027	2028	Thereafter
Long-term debt:							
Junior subordinated debentures ⁽¹⁾	\$ 493.4	\$ 21.8	\$ 21.8	\$ 21.8	\$ 21.8	\$ 21.8	\$ 384.4
Senior unsecured fixed rate notes ⁽²⁾	316.5	9.3	9.3	9.3	9.3	9.3	270.0

⁽¹⁾ Interest only on Junior Subordinated Debentures through 2037. Interest calculated based on interest rate forecast. Principal due beginning May 2033.

⁽²⁾ Interest only on Senior Unsecured Fixed Rate Notes through 2042. Interest calculated based on the fixed rate of the notes. Principal due September 2042.

Borrowing Under Revolving Credit Facility

On November 2, 2018, each of Argo Group, Argo Group US, Argo International Holdings Limited, and AUA, collectively (the “Borrowers”) entered into a new \$325 million credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement includes a one-time borrowing of \$125 million for a term loan (the “Term Loan”), and a \$200 million revolving credit facility. The Company used most of the net proceeds from the Preferred Stock Offering (as defined in Note 11, “Shareholders’ Equity”) to pay off the Term Loan in September 2020. The Credit Agreement was subsequently amended to increase the revolving credit facility amount to \$220 million, and to provide the removal of AIH and AUA as Borrowers upon the sale of AIH and AUA, which occurred on February 2, 2023.

During July 2023, the Credit Agreement was amended to permit the acquisition of Argo Group by Brookfield Reinsurance Ltd. pursuant to the Merger Agreement and extend the maturity date of certain commitments under the revolving credit facility from November 2, 2023 to November 2, 2024. The Credit Agreement decreased from \$220 million to \$200 million effective November 2, 2023.

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

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

The Credit Agreement allows 100% of the revolving credit facility to be used for letters of credit, subject to availability. At December 31, 2023 and 2022, there were \$0.1 million and \$0.3 million of letters of credit, respectively, issued against the Credit Facility.

Letter of Credit Facilities - Argo Re

Argo Re may be required to secure its obligations under various reinsurance contracts in certain circumstances. In order satisfy these requirements, Argo Re has entered into one committed and two uncommitted secured bilateral letters of credit facilities with commercial banks and generally uses these facilities to issue letters of credit in support of non-admitted reinsurance obligations in the U.S. and other jurisdictions. The committed letters of credit facility has a term of one year and includes customary conditions and event of default provisions.

The issuance of letters of credit using the uncommitted letters of credit facilities is at the discretion of the lenders. The availability of letters of credit under these secured facilities are subject to a borrowing base requirement, determined on the basis of specified percentages of the market value of eligible categories of securities pledged to the lender. On December 31, 2023, committed and uncommitted letters of credit facilities totaled \$165.0 million.

On December 31, 2023, letters of credit totaling \$62.0 million were outstanding, of which \$27.0 million were issued against the committed, secured bilateral letters of credit facility and \$35.1 million were issued by commercial banks against the uncommitted, secured bilateral letters of credit facilities. Collateral with a market value of \$109.2 million was pledged to these banks as security against these letters of credit.

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

On June 22, 2022, we posted collateral in the form of a \$50.0 million letter of credit under the terms of the Malta sales agreement. The letter of credit is subject to reimbursement by Argo in the event of a drawdown.

Other Letters of Credit

Other letters of credit issued and outstanding on December 31, 2023 were \$4.3 million.

10. Disclosures about Fair Value of Financial Instruments

Cash. The carrying amount approximates fair value.

Investment securities and short-term investments. See Note 3, "Investments," for additional information.

Premiums receivable and reinsurance recoverables on paid losses. The carrying value of current receivables and reinsurance recoverables on paid losses approximates fair value due to their short term nature.

Debt. At December 31, 2023 and 2022, the fair value of our debt instruments is determined using both Level 1 and Level 2 inputs, as previously defined in Note 3, "Investments".

We receive fair value prices from third-party pricing services for our financial instruments as well as for similar financial instruments. These prices are determined using observable market information such as publicly traded quoted prices, and trading prices for similar financial instruments actively being traded in the current market. We have reviewed the processes used by the third-party providers for pricing the securities and have determined that these processes result in fair values consistent with GAAP requirements. In addition, we review these prices for reasonableness, and have not adjusted any prices received from the third-party providers as of December 31, 2023 and December 31, 2022. A description of the valuation techniques we use to measure these liabilities at fair value is as follows:

Senior Unsecured Fixed Rate Notes Level 1:

- Our senior unsecured fixed rate notes are valued using Level 1 inputs. For these securities, we obtain fair value measurements from a third-party pricing service using quoted prices (unadjusted) in active markets at the reporting date.

Junior Subordinated Debentures and Floating Rate Loan Stock Level 2:

- Our trust preferred debentures, subordinated debentures and floating rate loan stock are typically valued using Level 2 inputs. For these securities, we obtain fair value measurements using quoted prices for similar securities being traded in active markets at the reporting date, as our specific debt instruments are less frequently traded.

A summary of our financial instruments whose carrying value did not equal fair value is shown below:

(in millions)	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Junior subordinated debentures:				
Trust preferred debentures	\$ 133.8	\$ 138.2	\$ 144.3	\$ 138.6
Subordinated debentures acquired with Maybrooke	80.4	83.3	85.9	88.1
Total junior subordinated debentures	214.2	221.5	230.2	226.7
Senior unsecured fixed rate notes	128.0	132.7	140.5	112.7
Floating rate loan stock ⁽¹⁾	—	—	54.7	52.5
	<u>342.2</u>	<u>354.2</u>	<u>425.4</u>	<u>391.9</u>

⁽¹⁾ Floating rate loan stock reclassified to liabilities held-for-sale. See Note 2, "Recent Acquisitions, Disposals & Other Transactions".

Based on an analysis of the inputs, our financial instruments measured at fair value on a recurring basis have been categorized as follows:

(in millions)	December 31, 2023	Fair Value Measurements at Reporting Date Using		
		Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Junior subordinated debentures:				
Trust preferred debentures	\$ 138.2	\$ —	\$ 138.2	\$ —
Subordinated debentures	83.3	—	83.3	—
Total junior subordinated debentures	221.5	—	221.5	—
Senior unsecured fixed rate notes	132.7	132.7	—	—
	<u>354.2</u>	<u>132.7</u>	<u>221.5</u>	<u>—</u>

⁽¹⁾ Quoted prices in active markets for identical assets

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

(in millions)	December 31, 2022	Fair Value Measurements at Reporting Date Using		
		Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Junior subordinated debentures:				
Trust preferred debentures	\$ 138.6	\$ —	\$ 138.6	\$ —
Subordinated debentures	88.1	—	88.1	—
Total junior subordinated debentures	226.7	—	226.7	—
Senior unsecured fixed rate notes	112.7	112.7	—	—
Floating rate loan stock	52.5	—	52.5	—
	<u>391.9</u>	<u>112.7</u>	<u>279.2</u>	<u>—</u>

⁽¹⁾ Quoted prices in active markets for identical assets

⁽²⁾ Significant other observable inputs

⁽³⁾ Significant unobservable inputs

11. Shareholder's Equity

In 2023, the Company did not pay any dividends to Argo Group. In 2022, the Company paid cash dividends to Argo Group of \$33.0 million. The proceeds of the dividends were used to repay intercompany balances related primarily to the funding of dividend and interest payments and other corporate expenses.

12. Underwriting, Acquisition and General Expenses

Underwriting, acquisition and general expenses were as follows:

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
(in millions)			
Commissions	\$ 12.7	\$ 141.7	\$ 280.2
Other underwriting and insurance expenses	35.0	261.5	402.1
Amortization of value of business acquired and other intangible assets	37.9	—	—
Total	\$ 85.6	\$ 403.2	\$ 682.3
Net deferral of policy acquisition costs	(7.2)	9.0	(10.5)
Total underwriting, acquisition and general expenses	\$ 78.4	\$ 412.2	\$ 671.7

13. Income Taxes

The Company was incorporated under the laws of Bermuda until November 30, 2023. Under Bermuda law, the Company was not obligated to pay any taxes in Bermuda based upon income or capital gains. We previously received an undertaking from the Supervisor of Insurance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 2011, which exempted us from any Bermuda taxes computed on profits, income or any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, at least until the year 2035. As of November 30, 2023, the Company redomiciled from Bermuda to the United States. In connection with redomiciling from Bermuda to the United States, the Company's pre-tax loss is reported in Bermuda for the predecessor period. No tax is associated with this entity during the predecessor period. Subsequent to redomiciling, the Company pre-tax loss and tax benefit is reported in the United States for the successor period. Separately, Argo Re is in the process of completing an Internal Revenue Code Section 953(d) election to treat the entity as a U.S. taxpayer. The election is deemed retroactive to the period beginning January 1, 2023. Argo Re pre-tax loss for the predecessor period is reported in Bermuda. The retroactive United States tax benefit incurred for the predecessor period is reflected in purchase accounting. Argo Re pre-tax loss and tax benefit is reported in the United States for the successor period.

We have subsidiaries based in the U.K. that are subject to the tax laws of that country. Under current law, these subsidiaries are taxed at the applicable corporate tax rates. Certain U.K. subsidiaries are deemed to be engaged in business in the U.S., and therefore, are subject to U.S. corporate tax in respect of a proportion of their U.S. underwriting business only. Relief is available against the U.K. tax liabilities in respect of overseas taxes paid that arise from the underwriting business. Our U.K. subsidiaries file separate U.K. income tax returns. On February 2, 2023, Argo International Holdings Limited, a wholly-owned U.K. subsidiary of the Company, sold AUA. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for additional information related to this transaction.

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

We also have operations in Ireland and Italy which are subject to income taxes imposed by the jurisdiction in which they operate. In addition, we have an operation in Barbados which is not subject to income tax under the laws of that country.

On June 10, 2021, U.K. tax legislation referred to as Finance Act 2021 received Royal Assent and was enacted. The effects of changes in tax laws and tax rates are recognized in the period of enactment. Accordingly, we recorded the impacts of Finance Act 2021 in our June 30, 2021 consolidated financial statements which primarily includes the remeasurement of our deferred tax assets and liabilities for the increased U.K. tax rate from 19% to 25% beginning on April 1, 2023.

On August 16, 2022, U.S. legislation referred to as the Inflation Reduction Act of 2022 was enacted. This legislation enacted a new Corporate Alternative Minimum Tax ("CAMT") and Excise Tax on Repurchases of Corporate Stock. The Company has determined as of the period ending December 31, 2023, that it is not a CAMT taxpayer or subject to Excise Tax on Repurchases of Corporate Stock.

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

	Successor		Predecessor			
	Period from November 16, 2023 through December 31, 2023		Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022		
(in millions)						
Current income tax provision (benefit) related to:						
United States (Federal)	\$	4.2	\$	15.1	\$	(21.0)
United States (State)		(4.2)		0.1		0.1
United Kingdom		—		(0.1)		(0.8)
Other jurisdictions		—		0.1		(1.7)
Total current income tax provision		—		15.2		(23.4)
Deferred income tax provision (benefit) related to:						
United States		1.3		(7.9)		6.0
United Kingdom		—		(7.0)		7.3
Other jurisdictions		—		—		2.1
Total deferred income tax (benefit)		1.3		(14.9)		15.4
Income tax provision (benefit)	\$	1.3	\$	0.3	\$	(8.0)

Our expected income tax provision (benefit) computed on pre-tax income (loss) at the weighted average tax rate has been calculated as the sum of the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. For the years ended December 31, 2023 and 2022, pre-tax income (loss) attributable to our operations and the operations' effective tax rates were as follows:

	Successor		Predecessor			
	Period from November 16, 2023 through December 31, 2023		Period from January 1, 2023 through November 15, 2023		For the Year Ended December 31, 2022	
(in millions)	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	\$ (11.3)	— %	\$ (59.9)	— %	\$ (48.9)	— %
United States	16.3	7.9 %	(96.9)	(7.5)%	(83.2)	17.9 %
United Kingdom	(1.3)	— %	(23.2)	30.4 %	28.3	23.1 %
Barbados	—	— %	—	— %	(4.5)	— %
Brazil	—	— %	—	— %	(0.1)	(422.4)%
United Arab Emirates	—	— %	0.3	— %	1.4	— %
Ireland	0.5	— %	(0.1)	— %	(39.1)	— %
Italy	—	2.1 %	0.1	50.3 %	(0.9)	(4.8)%
Malta	—	— %	—	— %	(4.2)	— %
Pre-tax income (loss)	\$ 4.2	31.0 %	\$ (179.7)	(0.2)%	\$ (151.2)	5.3 %

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

Our effective tax rate may vary significantly from period to period depending on the jurisdiction generating the pre-tax income (loss) and its corresponding statutory tax rate. The geographic distribution of pre-tax income (loss) can fluctuate significantly between periods given the inherent nature of our business. A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows:

	Successor	Predecessor	
	Period from November 16, 2023 through December 31, 2023	Period from January 1, 2023 through November 15, 2023	For the Year Ended December 31, 2022
(in millions)			
Income tax provision (benefit) at expected rate	\$ 2.9	\$ (24.7)	\$ (14.7)
Tax effect of:			
Nontaxable investment income	—	(0.1)	(0.4)
Foreign exchange adjustments	—	(2.6)	(2.1)
Impairment of goodwill	—	—	5.4
Base Erosion and Anti-Abuse Tax	—	23.5	—
Withholding taxes	—	0.1	2.7
U.S. state tax expense, net of federal income tax effect	0.1	(1.2)	—
Change in uncertain tax position liability	(3.4)	1.2	(1.4)
Change in valuation allowance	1.8	(1.4)	(7.6)
Impact of change in tax rate related to Finance Act 2021	(0.2)	(0.2)	1.7
Brazil Premiums and Underwriting	—	—	0.3
Sale of Brazil and Malta Operations	—	—	6.6
Excess Executive Compensation	—	2.0	—
Other	0.1	3.7	1.5
Income tax provision (benefit)	\$ 1.3	\$ 0.3	\$ (8.0)

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

(in millions)	As of December 31,	
	2023	2022
Deferred tax assets:		
Losses and loss adjustment expense reserve discounting	\$ 45.5	\$ 31.4
Unearned premiums	23.9	26.5
Net operating loss carryforwards	36.3	26.5
Investment in limited partnership interests	9.3	14.0
Unrealized losses on equity securities	6.9	8.2
Unrealized losses on fixed maturities and other investment securities	42.3	63.6
Investments	4.9	—
Right of use assets	10.6	12.8
Accrued bonus	5.5	6.9
Stock option expense	—	0.9
Bad debt	3.2	1.9
Other	2.6	4.3
Deferred tax assets, gross	191.0	197.0
Deferred tax liabilities:		
Debt obligations	(6.4)	—
Unrealized gains on limited partnership interests	(24.8)	(25.3)
Investments	—	(5.8)
Depreciable fixed assets	(7.3)	(7.1)
Deferred acquisition costs	(0.5)	(23.0)
Lease liability	(12.1)	(11.0)
TCJA reserve transitional liability	(1.1)	(1.6)
Value of business acquired	(32.2)	—
Other intangible assets	(37.1)	—
Underwriting results	(9.1)	—
Other	(0.6)	(1.7)
Deferred tax liabilities, gross	(131.2)	(75.5)
Deferred tax assets, net before valuation allowance	\$ 59.8	\$ 121.5
Valuation allowance	(20.7)	(20.3)
Deferred tax assets, net	\$ 39.1	\$ 101.2
Net deferred tax assets - Other jurisdictions	\$ —	\$ —
Net deferred tax assets (liabilities) - United States	39.1	101.2
Deferred tax assets, net	\$ 39.1	\$ 101.2

Our gross deferred tax assets are supported by taxes paid in previous periods, reversal of taxable temporary differences and recognition of future taxable income. Management regularly evaluates the recoverability of the deferred tax assets and makes any necessary adjustments to them based upon any changes in management's expectations of future taxable income. Realization of deferred tax assets is dependent upon our generation of future taxable income sufficient to recover tax benefits that cannot be recovered from taxes paid in the carryback period, generally for our U.S. property and casualty insurers two years for net operating losses and for all our U.S. subsidiaries three years for capital losses. If a company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. The valuation allowance for deferred tax assets increased by \$0.4 million in 2023 and primarily related to the following: (\$1.3) million Internal Revenue Code Section 382 limited net operating loss carryforwards within the U.S., and \$1.7 million of losses incurred in the United Kingdom. Based upon a review of our available evidence, our management concluded that it is more-likely-than-not that \$39.1 million of our deferred tax assets will be realized.

For tax return purposes, as of December 31, 2023, we had NOL carryforwards in Italy, United States, and United Kingdom. The amount and timing of realizing the benefits of NOL carryforwards depend on future taxable income and limitations imposed by tax laws. Only a portion of the United States NOL carryforwards has been recognized as mentioned above in the consolidated financial statements and is included in net deferred tax assets. The NOL amounts by jurisdiction and year of expiration are as follows:

(in millions)	December 31, 2023	Expiration
Net operating loss carryforwards by jurisdiction:		
Ireland	9.8	Indefinite
Italy	49.7	Indefinite
United Kingdom	6.9	Indefinite
United States	92.3	2025-2043

For any uncertain tax positions not meeting the “more-likely-than-not” recognition threshold, accounting standards require recognition, measurement and disclosure in a company’s financial statements. Included in the balances at December 31, 2023 and 2022 were \$0.0 million and \$4.6 million, respectively, of unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. A net increase (decrease) of interest in the amount of (\$0.4) million, and \$0.6 million has been recorded in the line item *Interest Expense* in our Consolidated Statements of Income (Loss) for the twelve months ended December 31, 2023, and 2022, respectively. A net increase (decrease) of penalty in the amount of \$0.0 million, and \$0.1 million has been recorded in the line item *Underwriting, acquisition and general expenses* in our Consolidated Statements of Income (Loss) for the twelve months ended December 31, 2023, and 2022, respectively.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2023 and 2022:

(in millions)	2023	2022
Balance at January 1	\$ 4.6	\$ 3.6
Additions for tax positions of prior years	—	3.0
Reductions for tax positions of prior years	(1.0)	(1.4)
Reductions based on settlements with taxing authorities	(2.4)	—
Expiration of statute of limitations	(1.2)	(0.6)
Balance at December 31	\$ —	\$ 4.6

Our U.S. subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2020. Our U.K. subsidiary is no longer subject to U.K. income tax examinations by His Majesty’s Revenue and Customs for years before 2021.

As of December 31, 2023, our Texas Sales, Excise, and Use Tax returns for the periods April 1, 2020 through July 31, 2023 are under examination. At this time, the Company cannot reasonably estimate an assessment by the taxing authority. We do not expect the ultimate disposition of these audits to result in a material change in our financial position, results of operations, or liquidity.

14. Pension Benefits and Savings Plans

Argo Group US 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, 2023 and 2022, the qualified pension plan was underfunded by \$2.8 million and \$3.2 million, respectively. The non-qualified pension plans were unfunded by \$1.4 million and \$1.5 million at December 31, 2023 and 2022, 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, 2024. Net periodic benefit costs were \$0.1 million for the period November 16, 2023 through December 31, 2023 (Successor), and \$0.8 million from January 1, 2023 through November 15, 2023 (Predecessor), and \$0.1 million for the year ended December 31, 2022.

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 \$0.8 million for the period November 16, 2023 through December 31, 2023 (Successor), and \$5.3 million from January 1, 2023 through November 15, 2023 (Predecessor), and \$8.5 million in 2022, respectively.

15. Commitments and Contingencies

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

We have contractual commitments to invest up to \$93.4 million related to our limited partnership investments at December 31, 2023. These commitments will be funded as required by the partnership agreements which can be called to be fulfilled at any time, not to exceed twelve years.

16. Statutory Accounting Principles

Financial Information

The statutory capital and surplus for Argo Re and our principal operating subsidiaries was as follows:

Statutory capital and surplus ⁽¹⁾ (in millions)	December 31,	
	2023	2022
Bermuda	\$ 1,194.5	\$ 1,025.4
United Kingdom ⁽²⁾	—	370.0
United States	1,410.4	1,111.1

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

⁽²⁾ Sold on February 2, 2023. See Note 2, "Recent Acquisitions, Disposals & Other Transactions" for additional information related to this transaction.

The statutory net income (loss) for Argo Re and our principal operating subsidiaries was as follows:

Statutory net income (loss) ⁽¹⁾ (in millions)	For the Years Ended December 31,	
	2023	2022
Bermuda	\$ (2.6)	\$ (29.1)
United Kingdom	—	21.4
United States	39.5	(117.8)

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

Dividends

As an insurance holding company, we are largely dependent on dividends and other permitted payments from our insurance subsidiaries to pay cash dividends to our shareholders, for debt service and for our operating expenses. The ability of our insurance subsidiaries to pay dividends to us is subject to certain restrictions imposed by the jurisdictions of domicile that regulate our insurance subsidiaries and each jurisdiction has calculations for the amount of dividends that an insurance company can pay without the approval of the insurance regulator.

The payment of dividends to our shareholders is permitted so long as (i) we are not, or would not be after the payment, unable to pay our liabilities as they become due and (ii) the realizable value of our assets is in excess of our liabilities after taking such payment into account. In light of these restrictions, we have no material restrictions on dividend payments that may be made to our shareholders at December 31, 2023.

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

As of December 31, 2023, Argo Re's solvency and liquidity margins and statutory capital and surplus were in excess of the minimum levels required by the Insurance Act. As of December 31, 2023 and 2022, the minimum statutory capital and surplus required to be maintained by Argo Re was \$106.6 million and \$100.0 million, respectively.

Argo Re is generally prohibited from declaring or paying, in any financial year, dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the Bermuda Monetary Authority ("BMA") an affidavit signed by at least two directors (one of whom must be a Bermuda resident director if any of the insurer's directors are resident in Bermuda) and the principal representative

stating that it will continue to meet its solvency margin and minimum liquidity ratio. Argo Re may not reduce its total statutory capital by 15% or more, as set out in its previous year's financial statements, unless it has received the prior approval of the BMA. Based on these regulatory restrictions, the maximum amount available for payment of dividends to Argo Group by Argo Re during 2023 without prior regulatory approval is \$287.7 million.

In 2023, Argo Re did not pay any dividends to Argo Group. In 2022, Argo Re paid cash dividends of \$33.0 million to Argo Group. The proceeds of the dividends were used to repay intercompany balances related primarily to the funding of dividend and interest payments and other corporate expenses. In 2022, it also included the dividend of the proceeds from the sale of Argo Seguros.

Our U.S. insurance subsidiaries file financial statements prepared in accordance with statutory accounting principles prescribed or permitted by insurance regulatory authorities of the state in which they are domiciled. The differences between statutory-based financial statements and financial statements prepared in accordance with GAAP vary between jurisdictions. The principal differences are that for statutory-based financial statements, deferred policy acquisition costs are not recognized, a portion of the deferred federal income tax asset is non-admitted, bonds are generally carried at amortized cost, certain assets are non-admitted and charged directly to surplus, a collectability allowance related to reinsurance recoverables is charged directly to surplus and outstanding losses and unearned premium are presented net of reinsurance.

As an intermediate insurance holding company, Argo Group US, Inc. is largely dependent on dividends and other permitted payments from its insurance subsidiaries to service its debt, fund operating expenses and pay dividends to Argo Ireland. Various state insurance laws restrict the amount that may be transferred to Argo Group US from its subsidiaries in the form of dividends without prior approval of regulatory authorities. In addition, that portion of the insurance subsidiaries' net equity that results from the difference between statutory insurance principles and GAAP would not be available for dividends.

During 2023, Argo Group US, Inc. received a dividend of \$21.3 million from Rockwood.

Argonaut Insurance Company is a direct subsidiary of Argo Group US, Inc. and is regulated by the Illinois Division of Insurance. During 2024, Argonaut Insurance Company may be permitted to pay dividends of up to \$120.7 million without approval from the Illinois Division of Insurance. Rockwood, a direct subsidiary of Argo Group US, Inc., is regulated by the Pennsylvania Department of Insurance. Rockwood may be permitted to pay ordinary dividends of up to \$25.0 million with approval from the Pennsylvania Department of Insurance during 2024. Each department of insurance may require prior approval for the payment of all dividends, based on business and regulatory conditions of the insurance companies.

17. Insurance Assessments

We participate in statutorily created insolvency guarantee and weather-related loss protection associations in all states where we are authorized to transact business. These associations were formed for the purpose of paying the claims of insolvent companies. We are assessed a pro-rata share of such claims based upon our premium writings, subject to a maximum annual assessment per line of insurance. Certain of these assessments can be recovered through premium tax offsets or policy surcharges. We do not believe that assessments on current insolvencies will have a material impact on our financial condition or results of operations. We have accrued assessments of \$6.9 million and \$5.2 million at December 31, 2023 and 2022, respectively.

18. Transactions with Related Parties

On August 9, 2023, Argo Group US, a wholly owned subsidiary, loaned \$10.0 million to the Parent company under the terms of the existing Amended and Restated Intercompany Agreement.

On November 30, 2023, Argo Group US, a wholly owned subsidiary, loaned \$20.0 million to the Parent company under the terms of the existing Amended and Restated Intercompany Agreement.

19. Subsequent Events

The date to which events occurring after December 31, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is April 26, 2024, the date on which the financial statements were available to be issued.

On February 20, 2024, Brookfield Reinsurance Ltd. made a \$100.0 million capital contribution to the Parent company that was further contributed to the Company.

On February 21, 2024, the Parent company entered into Amendment No. 6 to the Credit Agreement with the financial institutions party thereto. Amendment No. 6, among other things, replaced the minimum Tangible Net Worth covenant in the Credit Agreement with a minimum Consolidated Net Worth covenant that no longer excludes the value of intangible assets. The Consolidated Net Worth covenant is tested at the end of each fiscal quarter (commencing with the fiscal quarter ended December 31, 2023) and has been set at an amount equal to the sum of (i) \$872.0 millions plus (ii) 50% of positive net income for each fiscal quarter ending after December 31, 2023 plus (iii) 50% of net proceeds received from the issuance and sale of certain equity interests after December 31, 2023.

On February 22, 2024, the Parent company borrowed \$100.0 million through the revolving credit facility.