Argo Re, Ltd.

Consolidated Financial Statements and Notes to Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

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Building a better working world

Report of Independent Auditors

The Board of Directors and Shareholder
Argo Re, Ltd.

We have audited the accompanying consolidated financial statements of Argo Re, Ltd., which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Argo Re, Ltd. at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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 8 (pages 32-49) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board (FASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Ernst + Young LLP

San Antonio, Texas
April 14, 2021

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

	December 31, 2020	December 31, 2019
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: 2020-$3,981.1, 2019-$3,605.0; allowance for expected credit losses: 2020-$6.6)	$ 4,107.1	$ 3,629.9
Equity securities available-for-sale, at fair value (cost: 2020-$162.5; 2019-$122.8)	176.7	136.0
Other investments (cost: 2020-$429.4; 2019-$484.2)	429.4	486.6
Short-term investments, at fair value (cost: 2020-$540.5; 2019-$844.2)	542.0	844.4
Total investments	5,255.2	5,096.9
Cash	145.8	115.0
Accrued investment income	21.8	25.7
Premiums receivable	679.8	676.5
Reinsurance recoverables	3,009.0	3,107.2
Goodwill	147.3	152.2
Other intangible assets, net of accumulated amortization	60.5	60.5
Current income taxes receivable, net	3.0	—
Deferred tax asset, net	16.7	10.6
Deferred acquisition costs, net	163.6	160.2
Ceded unearned premiums	575.1	545.0
Operating lease right-of-use assets	82.0	91.7
Other assets	280.2	379.2
Assets held for sale	7.7	15.4
Total assets	$ 10,447.7	$ 10,436.1
Liabilities and Shareholder's Equity		
Reserves for losses and loss adjustment expenses	$ 5,406.0	$ 5,157.6
Unearned premiums	1,464.8	1,410.9
Accrued underwriting expenses and other liabilities	161.4	200.0
Ceded reinsurance payable, net	950.4	1,201.2
Funds held	64.7	55.2
Senior unsecured fixed rate notes	140.2	140.0
Other indebtedness	60.7	56.3
Junior subordinated debentures	229.4	229.0
Current income taxes payable, net	—	13.9
Payable to parent and other affiliates, net	47.4	31.2
Operating lease liabilities	95.8	105.4
Total liabilities	8,620.8	8,600.7
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common shares - $10.00 par, 112,000 shares authorized; 112,000 shares issued at December 31, 2020 and December 31, 2019, respectively)	1.1	1.1
Additional paid-in capital	791.8	771.5
Holdings of parent company common shares (10,242,512 shares at December 31, 2020 and December 31, 2019, respectively)	(405.8)	(405.8)
Retained earnings	1,379.2	1,463.8
Accumulated other comprehensive income, net of taxes	60.6	4.8
Total shareholders' equity	1,826.9	1,835.4
Total liabilities and shareholders' equity	$ 10,447.7	$ 10,436.1

See accompanying notes.

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

	For the Year Ended December 31,	
	2020	**2019**
Premiums and other revenue:		
Earned premiums	$ 1,780.5	$ 1,729.7
Net investment income	112.7	154.0
Fee and other income	7.7	9.1
Net realized investment and other gains	1.2	80.2
Total revenue	1,902.1	1,973.0
Expenses:		
Losses and loss adjustment expenses	1,208.8	1,220.7
Underwriting, acquisition and insurance expenses	659.2	664.8
Other corporate expense	1.4	10.8
Interest expense	23.4	27.5
Fee and other expense	4.0	5.8
Foreign currency exchange (gain) loss	15.5	(9.8)
Impairment of goodwill	—	15.6
Total expenses	1,912.3	1,935.4
(Loss) income before income taxes	(10.2)	37.6
Provision (benefit) for income taxes	7.7	14.1
Net (loss) income	$ (17.9)	$ 23.5

See accompanying notes.

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

	For the Year Ended December 31,	
	2020	2019
Net income (loss)	$ (17.9)	$ 23.5
Other comprehensive income:		
Foreign currency translation adjustments	(15.3)	(0.2)
Defined benefit pension plans:		
Net loss arising during the year	(0.6)	(1.8)
Unrealized (losses) gains on securities:		
Gains arising during the year	95.2	88.0
Reclassification adjustment for gains included in net income	(12.8)	9.9
Other comprehensive income before tax	66.5	95.9
Income tax provision (benefit) related to other comprehensive income:		
Defined benefit pension plans:		
Net loss arising during the year	(0.1)	(0.4)
Unrealized gains on securities:		
Gains arising during the year	16.5	14.2
Reclassification adjustment for gains included in net income	—	1.2
Income tax provision related to other comprehensive income	16.4	15.0
Other comprehensive income, net of tax	50.1	80.9
Comprehensive income	$ 32.2	$ 104.4

See accompanying notes.

ARGO RE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' 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)	Shareholders' Equity
Balance, January 1, 2019	$ 1.1	$ 771.5	$ (405.8)	$ 1,492.4	$ (76.1)	$ 1,783.1
Net income	—	—	—	23.5	—	23.5
Other comprehensive income, net of tax	—	—	—	—	80.9	80.9
Dividend to parent	—	—	—	(52.1)	—	(52.1)
Balance, December 31, 2019	1.1	771.5	(405.8)	1,463.8	4.8	1,835.4
Net loss	—	—	—	(17.9)	—	(17.9)
Other comprehensive income, net of tax	—	—	—	—	50.1	50.1
Net capital contribution from parent	—	20.3	—	—	—	20.3
Payment of dividend to parent	—	—	—	(58.8)	—	(58.8)
Cumulative effect of adoption of ASU 2016-13, net of taxes	—	—	—	(7.9)	5.7	(2.2)
Balance, December 31, 2020	$ 1.1	$ 791.8	$ (405.8)	$ 1,379.2	$ 60.6	$ 1,826.9

See accompanying notes.

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

	For the Year Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net (loss) income	(17.9)	23.5
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Amortization and depreciation	32.1	26.0
Share-based payments expense	5.1	8.8
Deferred income tax (benefit), net	(21.6)	(23.5)
Net realized investment and other gains	(1.2)	(80.2)
Undistributed earnings from alternative investment portfolio	(8.6)	(19.9)
Loss on disposals of long-lived assets	1.8	7.2
Impairment of goodwill	—	15.6
Change in:		
Accrued investment income	3.9	1.5
Receivables	84.8	(455.1)
Deferred acquisition costs	(4.6)	7.0
Ceded unearned premiums	(33.2)	(87.8)
Reserves for losses and loss adjustment expenses	280.2	509.0
Unearned premiums	63.7	111.7
Ceded reinsurance payable and funds held	(238.2)	243.3
Income taxes	(17.5)	11.4
Accrued underwriting expenses and other liabilities	(26.2)	(12.4)
Payable to (receivable from) parent, net	(30.8)	(12.1)
Other, net	1.2	(116.5)
Cash provided by operating activities	73.0	157.5
Cash flows from investing activities:		
Sales of fixed maturity investments	1,080.0	1,394.3
Maturities and mandatory calls of fixed maturity investments	569.8	395.5
Sales of equity securities	25.4	374.7
Sales of other investments	103.9	83.1
Purchases of fixed maturity investments	(2,038.1)	(1,859.1)
Purchases of equity securities	(78.9)	(61.2)
Purchases of other investments	(35.5)	(63.7)
Change in foreign regulatory deposits and voluntary pools	(5.4)	—
Change in short-term investments	285.4	(366.9)
Settlements of foreign currency exchange forward contracts	9.3	0.5
Purchases of fixed assets	(20.2)	(29.9)
Proceed from sale of Trident assets	38.0	—
Other, net	13.6	(13.1)
Cash used in investing activities	(52.7)	(145.8)
Cash flows from financing activities:		
Payment on note payable	(125.0)	(0.6)
Capital contribution from parent	145.3	—
Cash provided by (used in) financing activities	20.3	(0.6)
Effect of exchange rate changes on cash	(9.8)	(0.1)
Change in cash	30.8	11.0
Cash, beginning of year	115.0	104.0
Cash, end of year	145.8	115.0

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”) and Argo Underwriting Agency Limited (“Syndicate 1200”). Syndicate 1200 products are underwritten by Argo Underwriting Agency Limited based in London, on behalf of one underwriting syndicate under the Lloyd’s of London (“Lloyd’s”) global franchise.

On December 23, 2020, we announced an agreement to sell our Italian operations, ArgoGlobal Assicurazioni (“ArgoGlobal Assicurazioni”) to Perfuturo Capital AG, a Swiss Holding Company. Closing of the transaction is subject to regulatory approval and is expected to occur in early 2021. Under the terms of the agreement, Argo Re will reinsure substantially all of ArgoGlobal Assicurazioni's legacy business as of the effective date of the agreement for all underwriting years.

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

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 doubtful accounts; estimates of written and earned premiums; reinsurance premium receivable; fair value of investments and assessment of potential impairment; valuation of goodwill and other intangibles and our deferred tax asset valuation allowance. Actual results could differ from those estimates.

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

The consolidated financial statements include the accounts and operations of Argo Re and its subsidiaries. All material intercompany accounts and transactions have been eliminated. Certain amounts in prior years’ financial statements have been reclassified to conform to the current presentation. Amounts related to trade capital providers, who are third-party capital participants that provide underwriting capital to the Syndicate 1200 segment, are included in the balance sheet. Trade capital providers participate on a quota share basis, assuming 100% of their contractual participation in the underwriting syndicate results and with such results settled on a year of account basis.

We have evaluated our investment in our 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.

Risks and Uncertainties Related to COVID-19

Certain risks and uncertainties are inherent to our day-to-day operations. Adverse changes in the economy could lower demand for our insurance products or negatively impact our investment results, both of which could have an adverse effect on the revenue and profitability of our operations. The global COVID-19 pandemic has resulted in and may continue to result in significant disruptions in economic activity and financial markets. The cumulative effects of COVID-19 on the Company, and the effect of any other public health outbreak, cannot be predicted at this time, but could reduce demand for our insurance policies, result in increased level of losses, settlement expenses or other operating costs, reduce the market value of invested assets held by the Company or negatively impact the fair value of our goodwill. Our liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during the year ended December 31, 2020.

Cash

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

Investments

Investments in fixed maturities at December 31, 2020 and 2019 include bonds and structured securities. Equity securities include common stocks, preferred stocks and mutual funds. Other investments consist of foreign regulatory deposits, hedge funds, private equity funds, private equity direct investments, and voluntary pools. Short-term investments consist of money market funds, certificates of deposit, bonds, sovereign debt and interest-bearing cash accounts. Investments maturing in less than one year are classified as short-term investments in our consolidated financial statements.

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

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

Our investments in fixed maturities are considered available-for-sale and are carried at fair value. As available-for-sale investments, changes in the fair value of fixed maturities are not recognized in income during the period, but rather are recognized as a separate component of shareholders’ equity until realized. Fair value of these investments is estimated using prices obtained from third-party pricing services, where available. For securities where we were unable to obtain fair values from a pricing service or broker, fair values were estimated using information obtained from investment advisors. We performed several processes to ascertain the reasonableness of these investment values by (1) obtaining and reviewing internal control reports for our service providers that obtain fair values from third-party pricing services, (2) discussing with our investment managers their process for reviewing and validating pricing obtained from outside services and obtaining values for all securities from our investment managers and (3) comparing the security pricing received from the investment managers with the prices used in the consolidated financial statements and obtaining additional information for variances that exceeded a certain threshold. As of December 31, 2020, investments reported at fair value for which we did not receive a fair value from a pricing service or broker accounted for less than 1% of our investment portfolio. The actual value at which such securities could be sold or settled with willing buyer or seller may differ from such estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller. The cost of securities sold is based on the specific identification method.

Our investments in equity securities are reported at fair value. Beginning with the adoption of Accounting Standards Update (“ASU”) 2016-01, effective January 1, 2018, changes in the fair value of equity securities are now included in “Net realized investment (gains) losses” in our consolidated statements of income.

Changes in the value of other investments consisting of hedge funds, private equity funds, private equity direct investments and voluntary pools are principally recognized to income during the period using the equity method of accounting. Our foreign regulatory deposits are assets held in trust in jurisdictions where there is a legal and regulatory requirement to maintain funds locally in order to protect policyholders. Lloyd’s is the appointed investment manager for the funds. The underlying assets are invested in government securities, agency securities and corporate bonds whose values are obtained from Lloyd’s. Foreign currency future contracts held by us are valued by our counterparties using market driven foreign currency exchanges rates.

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

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

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

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

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

Receivables

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

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

Recoveries occur when subsequent collection or litigation results in the receipt of amounts previously written off. Amounts recovered are applied against the allowance for expected credit losses. For further disclosures about the allowance for expected credit losses, see Note 5, "Allowance for Credit Losses."

Earned Premiums

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

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

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

Retrospectively Rated Policies

We have written a number of workers compensation, property and other liability policies that are retrospectively rated. Under this type of policy, the policyholder or coverholder may be entitled, subsequent to coverage expiration, to a refund or may owe additional premiums based on the amount of losses incurred under the policy. The retrospective premium adjustments on certain policies are limited to a minimum or maximum premium adjustment, which is calculated as a percentage of the standard amount of premium charged during the life of the policy. Accrued retrospectively rated premiums have been determined based on estimated ultimate loss experience of the individual policyholder accounts. The estimated liability for return of premiums under retrospectively rated policies is included in "Unearned premiums" in our consolidated balance sheets and was $6.5 million and $5.4 million at December 31, 2020 and 2019, respectively. The estimated amount included in premiums receivables for additional premiums due under retrospectively rated policies was $0.2 million and $0.3 million at December 31, 2020 and 2019, respectively.

Deferred Acquisition Costs

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

The 2020 and 2019 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 and differences arise from foreign currency exchange rates applied to deferred acquisition costs which are treated as a nonmonetary asset.

Reserves for Losses and Loss Adjustment Expenses

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

Reinsurance

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

Goodwill and Intangible Assets

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

We perform our annual goodwill impairment test on the first day of the fourth quarter of each year, October 1, of each year. As a result of the reviews performed on each of our reporting units for the year ended December 31, 2020 we determined that the estimated fair value exceeded the respective carrying value of our reporting units for those years and goodwill was not impaired.

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

Other indefinite-lived intangible assets and intangible assets with finite lives were also reviewed for impairment as of October 1 of each year. As a result of the reviews performed on each of the entity's reporting units for the two years ended December 31, 2020 and 2019, the Company determined that the other indefinite-lived intangible assets and finite-lived intangible assets were not impaired.

On April 30, 2020, we sold our Trident Public Risk Solutions ("Trident") brand and wrote off $4.9 million of goodwill as a result of the Trident transaction. For more information about these transactions, see Note 3, "Recent Acquisitions, Disposals & Other Transactions."

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

	December 31, 2020		December 31, 2019	
(in millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Lloyd's capacity	$ 60.5	N/A	$ 60.5	N/A
Distribution network	45.5	45.5	45.5	45.5
Other	6.2	6.2	6.2	6.2
	$ 112.2	$ 51.7	$ 112.2	$ 51.7

As of December 31, 2020, all of our intangible assets have been fully amortized and we have no estimated amortization expense. During the year ended December 31, 2019, amortization expense was $0.4 million which is included in "Underwriting, acquisition and insurance expenses" in our consolidated statements of income (loss).

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 $162.6 million and $146.0 million at December 31, 2020 and 2019, respectively. The net book value of our property and equipment at December 31, 2020 and 2019 was $123.9 million and $133.7 million, respectively. The depreciation expense for the years ended December 31, 2020 and 2019 was $24.1 million and $24.0 million, respectively.

Assets Held for Sale

In December 2019, we entered into a series of agreements with a real estate firm to market and sell four company owned condominiums. During 2020, we sold two of the condominiums. One of the remaining two condominiums was sold in January 2021, and the remaining property is anticipated to be sold in 2021.

We have classified these properties and other corporate assets as "Assets held for sale" of $7.7 million and $15.4 million in our Consolidated Balance Sheets as of December 31, 2020 and 2019, respectively. We have recorded the assets at their fair market values as of December 31, 2020 and 2019 based on independent appraisals and active listing prices. As a result of the reclassification to "Assets held for sale," we recorded pre-tax losses of $0.8 million and $3.7 million, which are included in "Other corporate expenses" in our Consolidated Statements of Income (Loss) for the years ended December 31, 2020 and 2019, respectively.

Derivative Instruments

We enter into short-term, currency spot and forward contracts to manage operational currency exposure on our Canadian dollar ("CAD") investment portfolio and certain catastrophic events, minimize negative impacts to investment portfolio returns, and gain exposure to a total return strategy which invests in multiple currencies. The forward contracts are typically thirty to ninety days and are renewed as management deems necessary to accomplish the objectives of the contracts. These foreign currency forward contracts are carried at fair value in our Consolidated Balance Sheets in "Other assets" at December 31, 2020 and 2019, respectively. The realized and unrealized gains and losses are included in "Net realized investment and other gains (losses) in our Consolidated Statements of Income. The forwards contracts are not designated as hedges for accounting purposes.

Share-Based Payments

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. Awards that are expected to be settled in cash are accounted for as liability awards, resulting in the fair value of the award being measured at each reporting date until the award is exercised, forfeited or expires unexercised. Compensation expense for awards that are settled in equity of Argo Group are recognized on a straight line pro rata basis over the vesting period. Compensation expense for awards that are settled in cash are recognized on the accelerated recognition method over the award's vesting period. Share-based compensation expense, included in "Underwriting, acquisition and insurance expenses" in our Consolidated Statements of Income, was $5.1 million and $8.8 million for the years ended December 31, 2020 and 2019, respectively.

Foreign Currency Exchange Gain (Loss)

The U.S. Dollar is the functional currency of all but three of our foreign operations. Monetary assets and liabilities in foreign operations that are denominated in foreign currencies are revalued at the exchange rates in effect at the balance sheet date. The resulting gains and losses from changes in the foreign exchange rates are reflected in net income. Revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate during the period with the resulting foreign exchange gains and losses included in net income for the period. In the case of our foreign currency denominated available-for-sale investments, the change in exchange rates between the local currency and our functional currency at each balance sheet date represents an unrealized appreciation or depreciation in value of these securities and is included as a component of accumulated other comprehensive income.

Translation gains and losses related to our operations in Brazil, Malta and Italy are recorded as a component of shareholders' equity in our consolidated balance sheets. At December 31, 2020 and 2019, the foreign currency translation adjustments were a loss of $37.9 million and $22.6 million, respectively.

Income Taxes

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

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

Supplemental Cash Flow Information

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

	For the Years Ended December 31,	
(in millions)	2020	2019
Senior unsecured fixed rate notes	$ 9.3	$ 9.3
Junior subordinated debentures	10.5	14.3
Other indebtedness	2.5	2.6
Total interest paid	$ 22.3	$ 26.2
Income taxes paid	$ 47.7	$ 21.0
Income taxes recovered	(1.8)	—
Income taxes paid, net	$ 45.9	$ 21.0

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (Topic 326), commonly referred to as current expected credit losses or CECL. ASU 2016-13 requires organizations to estimate credit losses on certain types of financial instruments, including receivables and available-for-sale debt securities, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. The updated guidance also amends the previous other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. The guidance requires a modified retrospective transition method.

We adopted the updated guidance effective January 1, 2020 using the modified retrospective approach, which resulted in a $7.9 million net of tax reduction to retained earnings. Partially offsetting this reduction of retained earnings was a $5.7 million net of tax increase in other comprehensive income representing the reclassification of unrealized investment losses to credit losses under this accounting update. The cumulative effect adjustment decreased shareholders' equity by $2.2 million. Please see Note 4, "Investments" and Note 5, "Allowance for Credit Losses" for further discussion of the impact of ASU 2016-13 on our financial position and results of operations at and for the year ended December 31, 2020.

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

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)." ASU 2018-13 eliminates, adds and modifies certain disclosure requirements on fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments are applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. This ASU did not have a material impact on our financial results or disclosures.

2. Revisions of Previously Issued Financial Statements

In connection with the preparation, review and audit of the Company's consolidated financial statements for the year ended December 31, 2020, management identified certain immaterial errors in our historical financial statements primarily related to the accounting for (1) foreign currency exchange gains and losses associated with a specific reinsurance contract and (2) errors in the Company's tax provision primarily related to the Company's allocation of certain corporate-level expenses to our subsidiary companies, as well as other previously identified immaterial errors. The Company concluded these errors were not material to the previously issued Consolidated Financial Statements, however, correcting the cumulative effect of the errors in 2020 would materially misstate the 2020 consolidated financial statements. Accordingly, we are revising our historical financial statements to correct the immaterial errors.

The adjustments to the Company's previously issued financial statements are shown on the following pages.

All adjustments to the Statements of Cash Flows for the periods affected by the errors noted below were reclassifications within cash provided by operating activities.

Adjusted Consolidated Balance Sheet as of December 31, 2019:

	December 31, 2019		
(in millions)	As reported	Adjustments	As adjusted
Fixed maturities available-for-sale, at fair value	$ 3,633.5	$ (3.6)	$ 3,629.9
Equity securities available-for-sale, at fair value	124.4	11.6	136.0
Other investments	496.5	(9.9)	486.6
Total investments	5,098.8	(1.9)	5,096.9
Premiums receivable	688.2	(11.7)	676.5
Reinsurance recoverables	3,104.6	2.6	3,107.2
Deferred tax asset, net	6.1	4.5	10.6
Other assets	378.4	0.8	379.2
Total assets	10,441.8	(5.7)	10,436.1
Accrued underwriting expenses and other liabilities	204.1	(4.1)	200.0
Ceded reinsurance payable, net	1,203.1	(1.9)	1,201.2
Funds held	50.6	4.6	55.2
Current income taxes payable, net	0.8	13.1	13.9
Total liabilities	8,589.0	11.7	8,600.7
Retained earnings	1,481.2	(17.4)	1,463.8
Total shareholders' equity	1,852.8	(17.4)	1,835.4
Total liabilities and shareholders' equity	10,441.8	(5.7)	10,436.1

Adjusted Consolidated Statement of Income (Loss) for the year ended December 31, 2019:

	Year Ended December 31, 2019		
	As reported	Adjustments	As adjusted
(in millions, except per share amounts)			
Earned premiums	$ 1,729.5	$ 0.2	$ 1,729.7
Net realized investment gains	80.1	0.1	80.2
Total revenue	1,972.7	0.3	1,973.0
Underwriting, acquisition and insurance expenses	664.6	0.2	664.8
Interest expense	27.0	0.5	27.5
Foreign currency exchange gains	(9.6)	(0.2)	(9.8)
Total expenses	1,934.9	0.5	1,935.4
(Loss) income before income taxes	37.8	(0.2)	37.6
Income tax provision	8.6	5.5	14.1
Net loss	29.2	(5.7)	23.5

Consolidated Balance Sheet impact on opening balances as of January 1, 2019:

	Impact on opening balances as of January 1, 2019		
(in millions)	As reported	Adjustments	As adjusted
Equity securities available-for-sale, at fair value	$ 354.5	$ 11.6	$ 366.1
Other investments	489.8	(9.9)	479.9
Cash	103.5	0.5	104.0
Premiums receivable	649.9	(4.7)	645.2
Reinsurance recoverables	2,688.3	0.9	2,689.2
Current income taxes receivable, net	8.2	(8.2)	—
Deferred tax asset, net	—	1.3	1.3
Accrued underwriting expenses and other liabilities	242.3	1.1	243.4
Ceded reinsurance payable, net	970.5	(1.3)	969.2
Funds held	37.2	7.2	44.4
Current income taxes payable, net	—	2.4	2.4
Deferred tax liabilities, net	6.2	(6.2)	—
Retained earnings	1,504.1	(11.7)	1,492.4

3. Recent Acquisitions, Disposals & Other Transactions

Sale of Trident Brand and Platform

On April 30, 2020, we sold our Trident brand and underwriting platform to Paragon Insurance Holdings, LLC ("Paragon") and received $38 million in cash, with additional consideration in future periods depending on performance post-closing. We recognized a pre-tax gain of $32.3 million related to the sale, which is included in "Net realized investment gains (losses)" in our Consolidated Statements of Income (Loss) for the year ended December 31, 2020. Trident was one of the business units within our U.S. Operations reporting segment.

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

Acquisition of Ariel Indemnity Limited

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

The acquisition is being accounted for in accordance with ASC 805, "Business Combinations." Purchase accounting, as defined by ASC 805, requires that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The fair values disclosed herein were determined based on management's best estimates and the finalization of certain valuation analyses during the fourth quarter of 2020. Provisional fair values were recorded in the Company's interim consolidated financial statements and notes for the period ending September 30, 2020. AIL's financial position, results of operations, and cash flows were not material to our consolidated financial results as of and for the year ended December 31, 2020. No goodwill or intangible assets were recognized from this transaction.

Reinsurance-to-close ("RITC") of ArgoGlobal Syndicate 1200

On October 12, 2020, ArgoGlobal, the Lloyd's insurer and member of Argo, announced a reinsurance-to-close ("RITC") transaction with legacy specialist RiverStone. RiverStone provided an RITC of ArgoGlobal's Syndicate 1200 for 2017 and prior years with net technical provision of approximately $217 million. The transaction received regulatory approval on January 29, 2021, with the RITC becoming effective on January 1, 2021.

Sale of Ariel Re

On November 25, 2020, we closed on the sale of our reinsurance business, Ariel Re, to Pelican Ventures and J.C. Flowers & Co. Under the terms of the agreement, we received $30 million at closing. Ariel Re is the reinsurance platform through which Lloyd's Syndicate 1910 reinsurance business is underwritten. We recognized a loss of $9.4 million related to the sale, which is included in "Net realized investment (losses) gains" in our Consolidated Statements of Income (Loss) for the year ended December 31, 2020.

Sale of ArgoGlobal Assicurazioni S.p.A

On December 23, 2020, we announced an agreement to sell our Italian operations, ArgoGlobal Assicurazioni, to Perfuturo Capital AG ("Perfuturo"), a Swiss Holding Company. Closing of the transaction is subject to regulatory approval and is expected to occur in early 2021. Pursuant to the Argo Reinsurance Agreement, Argo Re will reinsure substantially all of ArgoGlobal Assicurazioni's legacy business as of the effective date of the agreement for all underwriting years.

4. Investments

Included in "Total investments" in our Consolidated Balance Sheets at December 31, 2020 and December 31, 2019 is $140.3 million and $156.8 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 Syndicate 1200 and 1910.

Fixed Maturities

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

December 31, 2020

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses (1)	Fair Value
Fixed maturities					
U.S. Governments	$ 385.4	$ 14.7	$ 0.3	$ —	$ 399.8
Foreign Governments	284.1	11.6	0.7	0.2	294.8
Obligations of states and political subdivisions	163.1	7.7	0.3	0.1	170.4
Corporate bonds	1,925.9	75.3	13.3	6.1	1,981.8
Commercial mortgage-backed securities	324.8	15.2	0.3	—	339.7
Residential mortgage-backed securities	491.4	17.4	0.6	—	508.2
Asset-backed securities	120.5	2.9	0.4	0.2	122.8
Collateralized loan obligations	285.9	4.9	1.2	—	289.6
Total fixed maturities	$ 3,981.1	$ 149.7	$ 17.1	$ 6.6	$ 4,107.1

December 31, 2019

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses (1)	Fair Value
Fixed maturities					
U.S. Governments	$ 352.2	$ 2.3	$ 1.2	$ —	$ 353.3
Foreign Governments	244.8	4.6	0.7	—	248.7
Obligations of states and political subdivisions	145.8	6.9	0.1	—	152.6
Corporate bonds	1,775.4	37.7	34.7	—	1,778.4
Commercial mortgage-backed securities	213.5	4.6	1.1	—	217.0
Residential mortgage-backed securities	479.0	10.4	0.6	—	488.8
Asset-backed securities	164.1	1.4	0.2	—	165.3
Collateralized loan obligations	226.7	0.5	1.4	—	225.8
Total fixed maturities	$ 3,601.5	$ 68.4	$ 40.0	$ —	$ 3,629.9

Contractual Maturity

The amortized cost and fair values of fixed maturity investments as of December 31, 2020, by contractual maturity, were as follows:

(in millions)	Amortized Cost	Fair Value
Due in one year or less	$ 324.9	$ 329.7
Due after one year through five years	1,743.6	1,791.9
Due after five years through ten years	607.8	639.3
Thereafter	82.2	85.9
Structured securities	1,222.6	1,260.3
Total	$ 3,981.1	$ 4,107.1

The expected maturities may differ from the contractual maturities because debtors may have the right to call or prepay obligations.

Other Invested Assets

Details regarding the carrying value and unfunded investment commitments of the other invested assets portfolio as of December 31, 2020 and 2019 were as follows:

December 31, 2020

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 111.2	$ —
Private equity	211.4	80.0
Long only funds	102.1	—
Other	4.7	—
Total other investments	$ 429.4	$ 80.0

December 31, 2019

(in millions)	Carrying Value	Unfunded Commitments
Investment Type		
Hedge funds	$ 109.5	$ —
Private equity	258.2	110.0
Long only funds	114.6	—
Other	4.3	—
Total other investments	$ 486.6	$ 110.0

The following describes each investment type:

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

Unrealized Losses and Other-than-temporary Impairments

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

December 31, 2020	Less Than One Year		One Year or Greater		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities						
U.S. Governments	$ 40.6	$ 0.3	$ —	$ —	$ 40.6	$ 0.3
Foreign Governments	18.0	0.5	0.1	0.2	18.1	0.7
Obligations of states and political subdivisions	5.2	0.3	—	—	5.2	0.3
Corporate bonds	202.5	6.7	17.5	6.6	220.0	13.3
Commercial mortgage-backed securities	21.8	0.3	—	—	21.8	0.3
Residential mortgage-backed securities	74.4	0.4	3.0	0.2	77.4	0.6
Asset-backed securities	4.6	0.4	—	—	4.6	0.4
Collateralized loan obligations	121.1	0.9	49.1	0.3	170.2	1.2
Total fixed maturities	$ 488.2	$ 9.8	$ 69.7	$ 7.3	$ 557.9	$ 17.1

December 31, 2019	Less Than One Year		One Year or Greater		Total	
(in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities						
U.S. Governments	$ 114.6	$ 1.1	$ 17.0	$ 0.1	$ 131.6	$ 1.2
Foreign Governments [(1)]	119.2	0.7	5.1	—	124.3	0.7
Obligations of states and political subdivisions	0.7	—	2.1	0.1	2.8	0.1
Corporate bonds	249.7	18.9	63.6	15.8	313.3	34.7
Commercial mortgage-backed securities [(1)]	74.8	1.1	4.9	—	79.7	1.1
Residential mortgage-backed securities	66.9	0.3	25.2	0.3	92.1	0.6
Asset-backed securities	22.5	0.1	18.9	0.1	41.4	0.2
Collateralized loan obligations	54.9	0.8	116.7	0.6	171.6	1.4
Total fixed maturities	$ 703.3	$ 23.0	$ 253.5	$ 17.0	$ 956.8	$ 40.0

(1) Unrealized losses one year or greater are less than $0.1 million.

We hold a total of 5,301 fixed maturity securities, of which 928 were in an unrealized loss position for less than one year and 149 were in an unrealized loss position for a period one year or greater as of December 31, 2020.

For fixed maturities for which a decline in the fair value between the amortized cost is due to credit-related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to realized investment losses in the Statement of Income (Loss). The allowance is limited to the difference between amortized cost and fair value.

The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit-related factors is recognized in the Statement of Comprehensive Income (Loss). Accrued interest is excluded from the measurement of the allowance for credit losses.

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

We evaluate for credit losses each period. If we determine that all or a portion of a fixed maturity is uncollectible, the uncollectible amortized cost is written off with a corresponding reduction to the allowance for credit losses. If we collect cash flows that were previously written off, the recovery is recognized in realized investment gains. We also consider whether we intend to sell an available-for-sale security or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost. In these instances, a decline in fair value is recognized in net realized gains (losses) in the Statement of Income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

Prior to the adoption of ASU 2016-13, the evaluation for a credit loss was generally based on the present value of expected cash flows of the security as compared to the amortized cost. For structured securities, frequency and severity of loss inputs were used in projecting future cash flows of the securities. Loss frequency was measured on the credit default rate, which included factors such as loan-to-value ratios and credit scores of borrowers. If a determination was made that the unrealized loss was other-than-temporary, a realized loss was recognized in the realized investment losses in the Statement of Income (Loss) and the amortized cost basis of the security was reduced to reflect the loss.

	Foreign Governments	Obligations of states and political subdivisions	Corporate bonds	Asset backed securities	Total
Beginning balance, January 1, 2020	$ —	$ —	$ —	$ —	$ —
Additions-initial adoption of accounting standard	—	—	6.8	0.1	6.9
Securities for which allowance was not previously recorded	0.3	0.3	15.3	—	15.9
Securities sold during the period	(0.2)	—	(39.0)	(0.1)	(39.3)
Additional net increases (decreases) in existing allowance	0.1	(0.2)	23.0	0.2	23.1
Ending balance, December 31, 2020	$ 0.2	$ 0.1	$ 6.1	$ 0.2	$ 6.6

Total credit impairment losses included in net realized investment (losses) gains in the Consolidated Statement of Income was $39.9 million for the year ended December 31, 2020. Total other-than-temporary impairment losses included in net realized investments losses (gains) was $20.3 million for the year ended December 31, 2019.

Net Investment Income and Realized Gains and Losses

Investment income and expenses were as follows:

	For the Years Ended December 31,	
(in millions)	2020	2019
Investment income:		
Interest on fixed maturities	$ 108.6	$ 129.5
Dividends on equity securities	2.8	11.1
Income on alternative investments	10.4	22.4
Income on short-term and other investments	3.8	8.9
Investment income	125.6	171.9
Investment expenses	(12.9)	(17.9)
Net investment income	$ 112.7	$ 154.0

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

(in millions)	For the Year Ended December 31, 2020	2019
Realized gains on fixed maturities and other		
Fixed maturities	$ 37.1	$ 22.2
Other investments	93.8	31.8
Other assets and short-term investments	31.0	0.1
	161.9	54.1
Realized losses on fixed maturities and other		
Fixed maturities	(35.2)	(11.7)
Other investments	(78.5)	(30.0)
Short-term investments	(0.3)	—
Credit losses on fixed maturities	(39.9)	—
Other-than-temporary impairment losses on fixed maturities	—	(20.3)
	(153.9)	(62.0)
Equity securities [1]		
Net realized (losses) gains on equity securities	(17.1)	128.9
Change in unrealized gains (losses) on equity securities held at the end of the period	10.3	(40.8)
Net realized (losses) gains on equity securities	(6.8)	88.1
Net realized investment and other gains	1.2	80.2
Income tax (expense)	(1.3)	(16.2)
After tax	$ (0.1)	$ 64.0

The cost of securities sold is based on the specific identification method.
Changes in unrealized appreciation (depreciation) related to investments are summarized as follows:

(in millions)	For the Years Ended December 31, 2020	2019
Change in unrealized gains		
Fixed maturities	$ 96.0	$ 93.3
Other investments	(14.3)	4.4
Other and short-term investments	0.7	0.2
Net unrealized investment gains before income taxes	82.4	97.9
Income tax provision	16.5	15.4
Net unrealized investment gains, net of income taxes	$ 65.9	$ 82.5

Foreign Currency Exchange Forward Contracts

We entered into foreign currency exchange forward contracts to manage operational currency exposure on our CAD investment portfolio and loss reserves due to certain catastrophic events and other claims, minimize negative impacts to investment portfolio returns, and gain exposure to a total return strategy which invests in multiple currencies. The currency forward contracts are carried at fair value in our consolidated balance sheets in “other assets” at December 31, 2020 and 2019. The gains and losses are included in “net realized investment and other gains” in our consolidated statements of income.

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

(in millions)	December 31, 2020	December 31, 2019
Operational currency exposure	$ —	$ —
Asset manager investment exposure	(0.2)	(0.3)
Total return strategy	0.7	2.0
Total	$ 0.5	$ 1.7

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

	For the Year Ended December 31,	
(in millions)	2020	2019
Realized gains		
Operational currency exposure	$ 12.8	$ 5.8
Asset manager investment exposure	2.2	2.7
Total return strategy	61.6	21.3
Gross realized investment gains	76.6	29.8
Realized losses		
Operational currency exposure	(8.1)	(10.6)
Asset manager investment exposure	(4.0)	(0.8)
Total return strategy	(62.3)	(16.4)
Gross realized investment losses	(74.4)	(27.8)
Net realized investment gains on foreign currency exchange forward contracts	$ 2.2	$ 2.0

Regulatory Deposits, Pledged Securities and Letters of Credit

We are required to maintain assets on deposit with various regulatory authorities to support our insurance and reinsurance operations. We maintain assets pledged as collateral in support of irrevocable letters of credit issued under the terms of certain reinsurance agreements for reported loss and loss expense reserves. The following table presents our components of restricted assets at December 31:

(in millions)	December 31, 2020	December 31, 2019
Securities on deposit for regulatory and other purposes	$ 227.5	$ 192.5
Securities pledged as collateral for letters of credit	189.4	169.9
Securities and cash on deposit supporting Lloyd’s business	409.2	412.8
Total restricted investments	$ 826.1	$ 775.2

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, 2020 and 2019. A description of the valuation techniques we use to measure assets at fair value is as follows:

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

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

Fixed Maturities Level 3: We own term loans that are valued using unobservable inputs.

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

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

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

Other Investments Level 2: Foreign regulatory deposits are assets held in trust in jurisdictions where there is a legal and regulatory requirement to maintain funds locally in order to protect policyholders. Lloyd's is the appointed investment manager for the funds. These assets are invested in short-term government securities, agency securities and corporate bonds and are valued using Level 2 inputs based upon values obtained from Lloyd's.

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

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

		Fair Value Measurements at Reporting Date Using		
(in millions)	December 31, 2020	Level 1 (a)	Level 2 (b)	Level 3 (c)
Fixed maturities				
U.S. Governments	$ 399.8	$ 383.5	$ 16.3	$ —
Foreign Governments	294.8	—	294.8	—
Obligations of states and political subdivisions	170.4	—	170.4	—
Corporate bonds	1,981.8	—	1,974.8	7.0
Commercial mortgage-backed securities	339.7	—	339.7	—
Residential mortgage-backed securities	508.2	—	508.2	—
Asset-backed securities	122.8	—	122.8	—
Collateralized loan obligations	289.6	—	289.6	—
Total fixed maturities	4,107.1	383.5	3,716.6	7.0
Equity securities	176.7	159.2	—	17.5
Other investments	102.5	0.4	102.1	—
Short-term investments	542.0	525.9	16.1	—
	$ 4,928.3	$ 1,069.0	$ 3,834.8	$ 24.5

(a) Quoted prices in active markets for identical asset
(b) Significant other observable inputs
(c) Significant unobservable inputs

		Fair Value Measurements at Reporting Date Using		
(in millions)	December 31, 2019	Level 1 (a)	Level 2 (b)	Level 3 (c)
Fixed maturities				
U.S. Governments	$ 353.3	$ 347.8	$ 5.5	$ —
Foreign Governments	248.7	—	248.7	—
Obligations of states and political subdivisions	152.6	—	152.6	—
Corporate bonds	1,778.4	—	1,771.0	7.4
Commercial mortgage-backed securities	217.0	—	217.0	—
Residential mortgage-backed securities	488.8	—	488.8	—
Asset-backed securities	165.3	—	165.3	—
Collateralized loan obligations	225.8	—	225.8	—
Total fixed maturities	3,629.9	347.8	3,274.7	7.4
Equity securities	136.0	117.8	—	18.2
Other investments	96.3	—	96.3	—
Short-term investments	844.4	822.9	21.5	—
	$ 4,706.6	$ 1,288.5	$ 3,392.5	$ 25.6

(a) Quoted prices in active markets for identical asset
(b) Significant other observable inputs
(c) Significant unobservable inputs

The fair value measurements in the tables above do not equal “Total investments” on our Consolidated Balance Sheets as they exclude certain other investments that are accounted for under the equity-method of accounting.

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

Fair Value Measurements Using Observable Inputs (Level 3)

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2020	$ 7.4	$ 18.2	$ 25.6
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			—
Included in net income (loss)	—	(5.9)	(5.9)
Included in other comprehensive income (loss)	(0.5)	—	(0.5)
Purchases, issuances, sales, and settlements:			—
Purchases	0.1	5.2	5.3
Issuances	—	—	—
Sales	—	—	—
Settlements	—	—	—
Ending balance, December 31, 2020	$ 7.0	$ 17.5	$ 24.5
Amount of total gains or losses for the year included in net income (loss) attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2020	$ —	$ —	$ —

(in millions)	Credit Financial	Equity Securities	Total
Beginning balance, January 1, 2019	$ 2.2	$ 19.8	$ 22.0
Transfers into Level 3	3.5	—	3.5
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			—
Included in net income (loss)	(0.4)	(1.6)	(2.0)
Included in other comprehensive income (loss)	0.6	—	0.6
Purchases, issuances, sales, and settlements:			—
Purchases	1.9	—	1.9
Issuances	—	—	—
Sales	(0.4)	—	(0.4)
Settlements	—	—	—
Ending balance, December 31, 2019	$ 7.4	$ 18.2	$ 25.6
Amount of total gains or losses for the year included in net income (loss) attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2019	$ —	$ —	$ —

At December 31, 2020 and 2019, 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.

5. Allowance for Credit Losses

Premiums receivable

The following table represents the balances of premiums receivable, net of allowance for uncollectible premiums, including expected credit losses, at December 31, 2020 and January 1, 2020, and the changes in the allowance for the year ended December 31, 2020.

(in millions)	Premiums Receivable, Net of Allowance for Estimated Uncollectible Premiums	Allowance for Estimated Uncollectible Premiums
Balance, January 1, 2020	$ 676.5	$ 7.9
Cumulative effect of adoption of ASU 2016-13 at January 1, 2020		—
Current period change for estimated uncollectible premiums		3.6
Write-offs of uncollectible premiums receivable		(2.4)
Foreign exchange adjustments		0.3
Balance, December 31, 2020	$ 679.8	$ 9.4

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, 2020 and January 1, 2020, and changes in the allowance for estimated uncollectible reinsurance for the year ended December 31, 2020.

(in millions)	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, January 1, 2020	$ 3,107.2	$ 1.1
Cumulative effect of adoption of ASU 2016-13 at January 1, 2020		2.5
Current period change for estimated uncollectible reinsurance		0.9
Write-offs of uncollectible reinsurance recoverables		(0.4)
Balance, December 31, 2020	$ 3,009.0	$ 4.1

Of the total reinsurance recoverable balance outstanding at December 31, 2020, reinsurers representing 90.3% were rated A- or better. 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.

6. Leases

Our operating lease obligations are for office facilities, corporate housing and equipment. Our leases have remaining lease terms ranging between less than 1 year to 13 years, some of which include options to extend the leases. Expenses associated with leases totaled $20.2 million for the year ended December 31, 2020, as compared to $21.5 million for the year ended December 31, 2019. The components of lease expense and other lease information as of and during the year ended December 31, 2020 and 2019, are as follows:

	December 31,	
(in millions)	2020	2019
Operating leases right-of-use assets	$ 82.0	$ 91.7
Operating lease liabilities	95.8	105.4
Operating lease weighted-average remaining lease term	10.48	9.91
Operating lease weighted-average discount rate	3.77 %	3.86 %

	For the Years Ended December 31,	
(in millions)	2020	2019
Operating lease costs	$ 15.2	$ 19.3
Variable lease costs	5.4	2.6
Sublease income	(0.4)	(0.4)
Total lease costs	$ 20.2	$ 21.5
Operating cash flows from operating leases (fixed payments)	$ 15.6	$ 16.3
Operating cash flows from operating leases (liability reduction)	$ 12.7	$ 16.9

Our finance leases and short-term leases as of December 31, 2020 and 2019 were not material.

Future minimum lease payments under operating leases as of December 31, 2020 and December 31, 2019 were as follows:

(in millions)	December 31, 2020
2021	14.7
2022	13.2
2023	11.1
2024	9.8
2025	9.6
Thereafter	58.4
Total future minimum lease payments	$ 116.8
Future lease obligations	—
Less imputed interest	(21.0)
Total operating lease liability	$ 95.8

We have certain investment properties that we lease to independent, third parties. These properties consist of an office building that is currently leased through August 2026 and one condominium that is leased on a short-term basis. The carrying value of the office building is included in "Other assets" on our consolidated balance sheet. The condominium was placed for sale in December 2019. The carrying value of this condominium is included in the "Assets held for Sale" on our consolidated balance sheet. Income for these leased properties was $2.6 million for the year ended December 31, 2020 and $2.8 million for the year ended December 31, 2019. Income for these leased properties is included in "fee and other income" on our consolidated statements of income (loss).

7. 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 $4.1 million and $1.1 million as of December 31, 2020 and 2019, respectively (see Note 5, "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 $1,131.4 million and $1,184.7 million at December 31, 2020 and 2019, respectively. The collateral we hold does not apply to our entire outstanding reinsurance recoverable. Rather, collateral is provided on an individual contract basis as appropriate. For each individual reinsurer, the collateral held may exceed or fall below the total outstanding recoverable from that individual reinsurer.

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

Estimated losses recoverable from reinsurers and the ceded portion of unearned premiums are reported as assets in our consolidated balance sheets. Included in “reinsurance recoverables” are paid loss recoverables of $509.1 million and $672.3 million as of December 31, 2020 and 2019, respectively. “Earned Premiums” and “Losses and loss adjustment expenses” are reported net of reinsurance in our consolidated statements of income (loss).

Losses and loss adjustment expenses of $1,208.8 million and $1,220.7 million for the years ended December 31, 2020 and 2019, respectively, are net of amounts ceded to reinsurers of $941.3 million and $1,031.1 million, respectively.

We are required to accept certain assigned risks and other legally mandated reinsurance obligations. Prior to the mid-1980s, we assumed various forms of casualty reinsurance for which we continue to maintain reserves for losses and loss adjustment expenses (see Note 9, “Run-off Lines”). For such assumed reinsurance transactions, we engage in various monitoring steps that are common with assumed reinsurance such as ongoing claims reviews. We currently assume property related reinsurance primarily through our subsidiaries, Argo Re and Ariel Re, and casualty related reinsurance primarily through Syndicate 1200.

Premiums were as follows:

(in millions)	For the Years Ended December 31, 2020	2019
Direct written premiums	$ 2,676.1	$ 2,510.4
Reinsurance ceded to other companies	(1,423.2)	(1,375.5)
Reinsurance assumed from other companies	557.2	619.7
Net written premiums	$ 1,810.1	$ 1,754.6
Direct earned premiums	$ 2,660.6	$ 2,412.4
Reinsurance ceded to other companies	(1,388.6)	(1,286.7)
Reinsurance assumed from other companies	508.5	604.0
Net earned premiums	$ 1,780.5	$ 1,729.7
Percentage of reinsurance assumed to net earned premiums	28.6 %	34.9 %

8. Reserves for Losses and Loss Adjustment Expenses

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

(in millions)	For the Years Ended December 31, 2020	2019
Net reserves beginning of the year	$ 2,722.7	$ 2,562.9
Net Ariscom reserves acquired	27.9	—
Add:		
Losses and LAE incurred during current calendar year, net of reinsurance:		
Current accident year	1,201.1	1,082.6
Prior accident years	7.7	138.1
Losses and LAE incurred during calendar year, net of reinsurance	1,208.8	1,220.7
Deduct:		
Losses and LAE payments made during current calendar year, net of reinsurance:		
Current accident year	253.4	224.3
Prior accident years	866.4	806.0
Losses and LAE payments made during current calendar year, net of reinsurance:	1,119.8	1,030.3
Change in participation interest [1]	32.8	(14.4)
Foreign exchange adjustments	33.7	(16.2)
Net reserves - end of year	2,906.1	2,722.7
Add:		
Reinsurance recoverables on unpaid losses and LAE, end of year	2,499.9	2,434.9
Gross reserves - end of year	$ 5,406.0	$ 5,157.6

[1] Amount represents (decrease) increase in reserves due to change in our Syndicate 1200 and Syndicate 1910 participation.

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

Underwriting results for the year ended December 31, 2020 included net losses and loss adjustment expenses attributed to the COVID-19 pandemic of $73.2 million, primarily resulting from contingency and property exposures in the Company’s International Operations ($66.7 million) and property exposures in its U.S. Operations ($6.5 million). 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 (favorable) unfavorable development of prior accident years’ losses and LAE reserves on each reporting segment is presented below:

(in millions)	For the Years Ended December 31, 2020	2019
U.S. Operations	$ 2.4	$ 15.7
International Operations	(6.2)	110.4
Run-off Lines	11.5	12.0
Total unfavorable (favorable) prior-year development	$ 7.7	$ 138.1

The following describes the primary factors behind each segment's prior accident year reserve development for the years ended December 31, 2020 and 2019:

Year ended December 31, 2020:

- *U.S. Operations:* Net unfavorable development in liability and professional lines, partially offset by favorable development in specialty and property.
- *International Operations:* Net favorable development primarily related to favorable development in Reinsurance, partially offset by unfavorable development in Bermuda Insurance. The favorable development in Reinsurance was due to experience on catastrophe losses from recent years and decreases on claims from older accident years. The unfavorable movement in Bermuda Insurance was driven by professional and liability losses.
- *Run-off Lines:* Net unfavorable loss reserve development in asbestos and environmental lines and other run-off lines, partially offset by favorable loss reserve development on prior accident years in risk management workers compensation.

Year ended December 31, 2019:

- *U.S. Operations:* Net unfavorable development in professional, property and liability lines partially offset by favorable development in specialty lines. The unfavorable professional lines development was driven by movements on individual large management liability claims primarily impacting accident years 2015 through 2017. The unfavorable property development was primarily driven by large excess claims resulting from the 2017 and 2018 catastrophe events. The unfavorable liability lines development was driven by actual loss activity greater than expected. The three most recent accident years showed unfavorable development partially offset by favorable development on older years. The favorable specialty lines development was driven by favorable experience in the surety business across multiple accident years.
- *International Operations:* Net unfavorable development was primarily concentrated in liability and professional lines. The charges impacted our Bermuda casualty and professional divisions, and our Syndicate 1200 and European operations. The charges in our Bermuda business stemmed from public utility business in our casualty division, which we previously exited, as well as updated estimates on a number of other casualty and professional claims based on new information received in the last three quarters of 2019. As it relates to Syndicate 1200, the adverse development generally related to businesses that we have previously exited or where aggressive remedial underwriting actions have been taken. As it relates to Europe, the adverse development primarily related to certain cover-holders whose contracts were previously terminated or where aggressive remedial underwriting actions have been taken as well as unexpected movements in large professional liability losses. This unfavorable development was primarily due to obtaining additional information on several individual claims, including investigations regarding causes of the incidents leading to the losses, reports provided by outside counsel, audits of the underlying losses and recent court decisions, settlements and jury awards. The result was an increase in the number of claims with the potential for underlying losses to reach our attachment point, particularly within our Bermuda Operations. Adverse development in Syndicate 1200 related to large claims involving the marine and energy and liability divisions. Losses on small and medium enterprise package business were also higher than expected. The unfavorable development during the year was also attributable to the results of ongoing audits, underwriting reviews, and updates from third-party cover-holders, which included the identification of differences from original expectations with regard to the classes written, the distribution of writings by geography, and the rates charged by the coverholders.
- *Run-off Lines:* Unfavorable development in asbestos and environmental and other run-off segments partially offset by favorable development in risk management workers compensation. The change in asbestos was driven by assumed business where accounts are staying open longer than expected. The change in environmental was driven by individual claims on direct business.

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

The spread of COVID-19 and related economic shutdown has increased the uncertainty that is always present in our estimate of the ultimate cost of loss and settlement expense. Actuarial models base future emergence on historic experience, with adjustments for current trends, and the appropriateness of these assumptions involved more uncertainty as of December 31, 2020. 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, further disaggregated within each segment by our operating divisions and the primary insurance and reinsurance lines of business we write. We have chosen to disaggregate the data in this way so as to not obscure useful information by otherwise aggregating items with significantly different characteristics.

Operating Divisions

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

Excess and Surplus Lines

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

Specialty Admitted

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

Argo Insurance Bermuda

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

Reinsurance

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

Syndicate 1200

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

Lines of Business

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

Liability

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

Professional

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

Property

Property losses are generally reported within a short period of time from the date of loss, and in most instances, property claims are settled and paid within a relatively short timeframe. However, Property can be impacted by catastrophe losses which can be more complex than non-catastrophe Property claims due to factors such as difficulty accessing impacted areas and other physical, legal and regulatory impediments potentially extending the period of time it takes to settle and pay claims. The impacts of catastrophe losses can be more significant in our Reinsurance and Syndicate 1200 divisions.

Specialty

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

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

Excess and Surplus Lines

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

Specialty Admitted

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

Argo Insurance Bermuda

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

Reinsurance

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

Syndicate 1200

- *Liability:* general liability, international casualty and motor treaties
- *Professional:* professional indemnity, directors and officer's liability, and medical malpractice
- *Property:* direct and facultative excess insurance, North American and international binders, and residential collateral protection for lending institutions
- *Specialty:* personal accident, aviation, cargo, yachts, and onshore and offshore marine

Run-off Lines Segment

We have a Run-off Lines segment for certain products that we no longer underwrite, including asbestos and environmental claims. We have excluded the Run-off Lines segment from the following disaggregated short-duration contract disclosures due to its insignificance to our consolidated financial position and results of operations, both quantitatively and qualitatively. Gross reserves for losses and LAE in Run-off Lines account for less than 5% of our consolidated gross reserves for losses and LAE, and are primarily related to accident years prior to the mid-1990s. As such, claims development tables for the most recent ten accident years would not provide meaningful information to users of our financial statements, as the majority of the remaining reserves for losses and LAE would be for accident years not separately presented. See Note 9, "Run-off Lines," for further information on this segment, including discussion of prior accidents years' development.

Accident Years Presented

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

Foreign Currency

Portions of the business we write in the Syndicate 1200, Argo Bermuda Insurance and Reinsurance divisions are denominated in foreign currencies. We have used the December 31, 2020 balance sheet foreign exchange rates to recast the incurred and paid claims information for all periods presented in the following claims development tables in order to eliminate the effects of changes in foreign currency translation rates.

Lloyd's Reinsurance to Close Process

Syndicate 1200 and Syndicate 1910 are subject to the reinsurance to close process at Lloyd's where a year of account stays open for three years and is then reinsured into the next year of account. As a result, our economic participation on the years reinsured into the next year of account can change, perhaps significantly. We recast the incurred and paid claims information for all periods presented in the following claims development tables in order to eliminate the effects of the changes in economic participation. .

Reserves for IBNR Claims

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

As described above, various actuarial methods are used to determine the reserves for losses and LAE recorded in our consolidated balance sheets. Weightings of methods at a detailed level may change from evaluation to evaluation based on a number of observations, measures, and time elements. There were no significant changes to the methods and assumptions underlying our consolidated reserve estimations and selections as of December 31, 2020.

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, 2020.

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

Incurred Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 202.9	$ 206.0	$ 205.8	$ 200.0	$ 193.5	$ 192.8	$ 189.0	$ 187.8	$ 185.8	$ 187.4
2012		189.6	196.0	189.7	183.6	184.4	182.1	182.3	181.0	182.0
2013			217.9	222.6	224.3	227.2	220.4	216.0	214.2	216.0
2014				213.0	215.2	213.2	211.9	212.3	210.0	218.1
2015					232.5	237.1	228.6	226.4	224.8	233.9
2016						246.4	250.6	243.1	248.3	250.0
2017							253.3	244.3	249.0	257.7
2018								278.8	269.5	254.0
2019									269.8	268.8
2020										266.2
									Total	$ 2,334.1

Cumulative Paid Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 17.6	$ 53.8	$ 91.0	$ 122.9	$ 146.6	$ 162.4	$ 170.0	$ 174.4	$ 177.5	$ 179.2
2012		17.2	52.8	89.1	120.8	142.4	157.5	163.4	170.3	174.9
2013			17.6	60.2	100.4	135.2	163.7	179.6	192.2	200.3
2014				15.0	52.2	95.9	131.6	154.5	172.8	186.7
2015					16.5	51.9	91.4	131.5	162.8	182.4
2016						17.4	52.8	95.5	149.5	177.4
2017							11.5	38.7	88.0	149.6
2018								15.0	47.0	98.2
2019									14.9	61.2
2020										12.5
									Total	$ 1,422.4
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance										24.1
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 935.8

As of December 31, 2020

Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2011	$ 187.4	$ 3.0	8,526
2012	182.0	3.4	7,494
2013	216.0	5.3	7,484
2014	218.1	9.9	6,812
2015	233.9	17.4	6,509
2016	250.0	29.8	6,283
2017	257.7	36.7	7,172
2018	254.0	83.0	6,810
2019	268.8	147.6	5,985
2020	266.2	223.7	3,407

(1) Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

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

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

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 140.3	$ 155.1	$ 159.0	$ 157.5	$ 158.2	$ 154.0	$ 153.7	$ 154.0	$ 151.6	$ 150.4
2012		140.3	146.3	149.7	153.3	151.5	147.7	146.6	146.2	146.3
2013			126.6	133.2	136.7	133.2	131.1	130.6	128.9	128.8
2014				115.6	121.9	116.9	114.5	111.5	111.9	109.3
2015					107.3	106.7	101.7	102.3	103.1	101.6
2016						96.1	99.9	99.3	104.7	105.2
2017							121.5	129.5	135.3	140.0
2018								147.3	160.9	160.5
2019									151.3	154.9
2020										138.1
									Total	$ 1,335.1

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 23.2	$ 57.5	$ 85.9	$ 111.3	$ 126.1	$ 135.1	$ 139.8	$ 143.1	$ 144.0	$ 145.1
2012		20.1	51.0	80.7	105.8	120.8	127.9	131.9	135.0	138.2
2013			18.9	49.4	74.0	93.6	102.8	109.7	114.7	118.0
2014				17.4	38.8	58.7	75.3	86.1	93.5	96.5
2015					17.2	35.0	48.8	64.2	73.6	81.5
2016						11.1	31.7	48.6	67.6	78.2
2017							16.3	44.4	70.9	88.9
2018								19.4	52.0	77.6
2019									17.5	52.4
2020										13.0
									Total	$ 889.4
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance										35.5
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 481.2

Accident Year	As of December 31, 2020: Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2011	$ 150.4	$ 3.4	28,201
2012	146.3	3.8	23,681
2013	128.8	5.5	19,003
2014	109.3	6.2	16,404
2015	101.6	9.1	14,768
2016	105.2	10.4	11,946
2017	140.0	19.8	13,988
2018	160.5	40.1	15,891
2019	154.9	62.4	14,946
2020	138.1	89.9	8,986

[1] Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

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

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

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [(1)]	2012 [(1)]	2013 [(1)]	2014 [(1)]	2015 [(1)]	2016 [(1)]	2017 [(1)]	2018 [(1)]	2019 [(1)]	2020 [(1)]
2011	$ 35.0	$ 35.0	$ 35.0	$ 32.5	$ 28.2	$ 26.9	$ 26.6	$ 26.0	$ 25.8	$ 25.7
2012		27.8	28.3	28.6	25.8	24.0	24.5	24.9	24.7	24.4
2013			20.9	21.5	21.1	19.0	19.8	19.5	18.3	18.1
2014				22.4	22.4	26.0	33.7	36.2	35.4	35.1
2015					29.9	29.5	33.2	34.0	37.1	37.9
2016						44.2	44.8	45.1	42.9	35.5
2017							60.1	61.8	78.3	87.9
2018								70.8	73.2	79.2
2019									94.4	96.8
2020										152.6
									Total	$ 593.2

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [(1)]	2012 [(1)]	2013 [(1)]	2014 [(1)]	2015 [(1)]	2016 [(1)]	2017 [(1)]	2018 [(1)]	2019 [(1)]	2020 [(1)]
2011	$ 3.2	$ 11.8	$ 17.8	$ 22.0	$ 24.0	$ 25.4	$ 25.7	$ 25.7	$ 25.7	$ 25.7
2012		2.3	8.6	16.9	19.9	21.4	22.6	23.5	24.2	24.0
2013			1.9	6.3	10.9	14.2	17.6	17.5	17.9	17.9
2014				2.3	5.4	15.1	24.1	25.5	32.3	33.3
2015					1.8	8.3	15.6	20.8	26.2	31.3
2016						2.4	11.9	24.6	28.9	30.8
2017							3.5	24.9	38.0	59.7
2018								4.5	16.7	43.8
2019									4.9	32.9
2020										13.3
									Total	$ 312.7
	Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									6.8
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 287.3

Accident Year	As of December 31, 2020: Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [(2)]
2011	$ 25.7	$ —	821
2012	24.4	0.1	642
2013	18.1	0.2	622
2014	35.1	0.4	1,045
2015	37.9	1.5	1,843
2016	35.5	2.5	3,251
2017	87.9	1.4	3,747
2018	79.2	7.4	4,287
2019	96.8	39.7	5,049
2020	152.6	124.9	4,739

(1) Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

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

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

Incurred Losses & ALAE, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 0.2	$ 3.9	$ 3.4	$ 3.4	$ 3.6	$ 2.6	$ 2.0	$ 1.7	$ 1.7	$ 1.7
2012		7.5	6.7	4.9	4.3	4.0	3.9	3.5	3.6	3.3
2013			10.0	8.6	4.6	2.5	1.7	0.9	0.9	0.9
2014				13.1	13.1	8.9	6.0	4.8	4.6	4.6
2015					14.8	14.3	9.5	5.5	1.2	0.5
2016						15.0	15.0	11.2	6.2	4.7
2017							16.2	16.2	7.6	0.9
2018								20.9	17.4	3.3
2019									22.7	8.6
2020										25.4
									Total	$ 53.9

Cumulative Paid Losses & ALAE, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ —	$ 1.6	$ 1.4	$ 1.3	$ 1.2	$ 1.7	$ 1.7	$ 1.7	$ 1.7	$ 1.7
2012		3.6	3.3	3.3	3.3	3.3	3.4	3.3	3.4	3.4
2013			0.4	0.9	0.9	0.9	0.9	0.9	0.9	0.9
2014				1.1	3.3	4.0	4.0	4.1	4.1	4.0
2015					0.2	0.1	0.2	0.3	0.3	0.3
2016						1.3	1.6	2.2	2.2	2.2
2017							0.3	0.1	—	0.1
2018								—	0.7	1.7
2019									0.7	0.7
2020										0.3
									Total	$ 15.3
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance										0.7
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 39.3

	As of December 31, 2020		
Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2011	$ 1.7	$ —	80
2012	3.3	—	130
2013	0.9	—	50
2014	4.6	0.6	50
2015	0.5	0.2	24
2016	4.7	0.5	61
2017	0.9	0.6	104
2018	3.3	0.7	123
2019	8.6	7.1	253
2020	25.4	19.8	309

(1) Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

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

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

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 120.3	$ 110.4	$ 112.6	$ 110.6	$ 109.9	$ 113.7	$ 129.0	$ 135.6	$ 136.1	$ 135.4
2012		47.2	51.4	50.4	51.7	46.5	55.3	59.8	61.0	60.1
2013			32.5	34.5	34.0	32.3	32.9	32.4	31.9	32.3
2014				26.7	26.8	25.0	30.6	31.9	32.5	31.7
2015					27.2	23.8	62.6	60.5	57.9	52.7
2016						44.7	44.9	39.2	47.3	44.8
2017							109.0	107.7	111.2	103.9
2018								69.3	82.9	79.5
2019									63.2	70.1
2020										56.6
									Total	$ 667.1

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 43.1	$ 70.3	$ 92.3	$ 100.5	$ 102.8	$ 107.8	$ 123.6	$ 130.6	$ 132.7	$ 132.3
2012		12.4	31.2	40.6	49.7	44.1	52.2	58.0	60.1	59.3
2013			4.3	17.2	27.3	29.8	31.2	31.2	31.3	32.1
2014				2.8	12.9	19.0	30.1	30.6	32.1	31.6
2015					4.2	11.3	50.0	53.1	54.8	51.1
2016						14.0	25.4	29.7	42.8	43.0
2017							49.7	92.9	112.6	102.6
2018								24.9	71.5	78.0
2019									9.3	57.6
2020										11.60
									Total	$ 599.2
	Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									2.5
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 70.4

Accident Year	As of December 31, 2020: Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims [2]
2011	$ 135.4	$ 0.1	463
2012	60.1	—	278
2013	32.3	—	219
2014	31.7	—	223
2015	52.7	—	222
2016	44.8	1.1	395
2017	103.9	(9.8)	847
2018	79.5	(13.7)	714
2019	70.1	0.2	385
2020	56.6	33.7	398

[1] Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

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

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

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)
2011	$ 6.6	$ 6.6	$ 6.6	$ 4.4	$ 2.2	$ 1.6	$ 1.0	$ —	$ —	$ —
2012		7.4	7.4	7.4	5.6	4.4	1.7	—	0.6	0.6
2013			8.5	8.5	8.5	8.5	4.9	2.2	5.3	5.3
2014				9.8	9.8	9.8	6.2	1.5	2.3	2.3
2015					11.3	14.3	24.8	35.4	45.4	45.1
2016						13.9	14.0	14.0	6.6	6.1
2017							17.1	17.3	26.9	30.3
2018								8.9	32.1	26.6
2019									13.3	13.6
2020										23.3
									Total	$ 153.2

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31,									
	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)
2011	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2012		—	—	—	—	—	—	—	—	—
2013			—	—	—	—	2.3	2.3	2.3	2.4
2014				—	—	0.1	0.1	1.2	1.2	1.4
2015					—	—	16.1	20.3	26.6	34.8
2016						—	—	—	0.1	0.1
2017							—	3.3	3.4	17.9
2018								—	13.8	18.3
2019									—	0.1
2020										0.8
									Total	$ 75.8
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance										—
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 77.4

Accident Year	As of December 31, 2020 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims	Cumulative Number of Reported Claims (2)
2011	$ —	$ —	1,426
2012	0.6	0.6	1,390
2013	5.3	1.9	1,197
2014	2.3	0.3	1,345
2015	45.1	6.2	1,607
2016	6.1	5.9	1,924
2017	30.3	6.3	2,092
2018	26.6	8.2	1,049
2019	13.6	12.6	1,088
2020	23.3	16.1	1,083

(1) Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

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

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Liability***
(in millions, except number of claims reported)

Accident Year	Incurred Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 8.6	$ 9.1	$ 11.5	$ 11.6	$ 10.9	$ 10.7	$ 11.4	$ 11.5	$ 12.1	$ 12.2
2012		9.0	11.2	15.5	14.8	14.4	15.3	15.6	16.1	16.5
2013			23.7	28.0	27.5	25.6	25.9	26.4	27.6	28.2
2014				39.1	38.1	35.3	34.9	35.6	37.3	38.3
2015					35.9	30.8	31.2	30.8	34.3	34.2
2016						26.7	28.2	27.3	29.5	29.5
2017							25.6	24.2	27.6	28.1
2018								23.2	21.4	20.8
2019									16.8	15.7
2020										14.5
									Total	$ 238.0

Accident Year	Cumulative Paid Losses & ALAE, Net of Reinsurance For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 0.3	$ 0.8	$ 1.7	$ 3.6	$ 5.7	$ 7.4	$ 8.3	$ 9.2	$ 10.3	$ 10.3
2012		0.4	1.2	2.6	5.9	8.5	10.4	12.3	13.2	13.5
2013			1.6	3.4	7.3	11.9	16.3	20.7	23.5	24.0
2014				2.0	4.8	10.3	14.2	21.1	25.8	26.2
2015					0.9	5.3	7.5	12.9	18.3	18.8
2016						2.0	5.8	11.0	15.7	16.5
2017							1.8	7.1	11.7	12.9
2018								2.7	7.4	10.7
2019									1.3	4.0
2020										1.3
									Total	$ 138.2
									Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance	1.2
									Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance	$ 101.0

Accident Year	As of December 31, 2020 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2011	$ 12.2	$ —
2012	16.5	—
2013	28.2	0.3
2014	38.3	0.9
2015	34.2	1.2
2016	29.5	1.8
2017	28.1	5.1
2018	20.8	7.4
2019	15.7	8.8
2020	14.5	11.7

[1] Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Professional***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 20.2	$ 22.2	$ 19.6	$ 16.4	$ 15.5	$ 15.6	$ 16.1	$ 16.6	$ 17.1	$ 18.0
2012		14.3	14.2	14.5	14.4	14.5	15.6	16.0	16.4	16.0
2013			23.2	23.2	23.3	22.9	23.3	23.9	24.6	25.1
2014				36.0	37.3	37.6	41.3	43.0	43.9	45.2
2015					39.0	38.4	40.3	39.9	42.1	43.2
2016						33.6	28.0	26.9	31.4	34.4
2017							24.8	21.9	24.3	27.7
2018								21.8	17.1	19.9
2019									22.2	23.2
2020										26.9
									Total	$ 279.6

Cumulative Paid Losses & ALAE, Net of Reinsurance

Accident Year	For the Years Ended December 31, 2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 1.1	$ 2.6	$ 4.4	$ 7.0	$ 8.7	$ 11.2	$ 11.9	$ 13.5	$ 14.2	$ 14.3
2012		0.6	1.9	4.6	6.1	8.7	10.0	11.9	13.1	13.3
2013			1.8	3.7	7.6	12.4	16.3	18.7	21.3	21.6
2014				1.7	6.8	15.6	25.0	29.6	34.2	34.8
2015					2.3	8.8	15.4	20.9	26.4	27.1
2016						2.2	5.9	11.0	17.7	19.0
2017							1.1	5.4	10.1	11.1
2018								1.2	5.4	10.1
2019									2.7	7.3
2020										2.0
									Total	$ 160.6
	Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance									2.5
	Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance									$ 121.5

Accident Year	As of December 31, 2020 Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2011	$ 18.0	$ 0.2
2012	16.0	0.8
2013	25.1	1.8
2014	45.2	4.0
2015	43.2	5.5
2016	34.4	5.6
2017	27.7	9.0
2018	19.9	7.2
2019	23.2	11.8
2020	26.9	21.7

[1] Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Property***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 110.9	$ 116.1	$ 110.2	$ 97.0	$ 95.2	$ 94.6	$ 94.4	$ 94.0	$ 93.7	$ 93.4
2012		90.0	89.7	93.9	93.0	92.0	91.6	90.9	90.4	91.7
2013			84.3	80.1	79.0	77.5	77.0	76.3	75.1	76.6
2014				70.4	64.6	66.0	66.0	65.7	63.6	63.5
2015					56.0	66.5	73.2	74.3	73.0	74.7
2016						70.8	86.2	92.1	91.1	91.0
2017							83.3	90.4	94.9	93.8
2018								64.0	63.8	60.1
2019									43.2	41.6
2020										57.3
									Total	$ 743.7

Cumulative Paid Losses & ALAE, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 24.0	$ 48.2	$ 63.2	$ 75.0	$ 80.8	$ 82.5	$ 83.8	$ 83.7	$ 83.1	$ 83.5
2012		30.1	48.5	63.9	75.0	77.4	78.2	78.6	78.4	79.0
2013			45.0	57.5	70.0	74.1	74.3	73.7	72.7	73.6
2014				29.9	52.0	57.9	59.3	59.5	57.3	58.1
2015					23.0	43.0	51.4	58.8	58.2	59.7
2016						39.3	61.3	78.0	79.2	83.0
2017							26.1	63.6	72.5	79.6
2018								34.0	56.2	57.9
2019									20.6	33.8
2020										17.6
									Total	$ 625.8
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance										7.8
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 125.7

	As of December 31, 2020	
Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2011	$ 93.4	$ —
2012	91.7	—
2013	76.6	—
2014	63.5	—
2015	74.7	—
2016	91.0	—
2017	93.8	0.9
2018	60.1	1.8
2019	41.6	4.2
2020	57.3	34.4

[1] Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

Reporting Segment: ***International Operations***
Operating Division: ***Syndicate 1200***
Line of Business: ***Specialty***
(in millions, except number of claims reported)

Incurred Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 39.3	$ 41.2	$ 39.8	$ 35.0	$ 34.2	$ 34.2	$ 34.0	$ 33.7	$ 33.6	$ 33.5
2012		53.6	57.5	62.0	60.5	60.2	59.9	59.4	59.0	58.9
2013			77.2	82.8	84.1	83.7	83.1	83.0	82.0	81.6
2014				93.8	100.4	101.8	102.6	102.6	100.7	101.3
2015					91.4	89.7	95.2	97.4	96.9	95.7
2016						87.4	85.8	89.7	91.9	90.7
2017							80.4	77.0	86.9	86.1
2018								68.0	73.3	75.7
2019									79.3	77.7
2020										100.4
									Total	$ 801.6

Cumulative Paid Losses & ALAE, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]	2017 [1]	2018 [1]	2019 [1]	2020 [1]
2011	$ 11.9	$ 20.1	$ 24.3	$ 27.8	$ 29.2	$ 29.8	$ 30.1	$ 30.0	$ 29.8	$ 30.0
2012		18.4	28.2	39.9	46.8	49.8	50.7	51.1	51.1	51.4
2013			31.8	53.6	70.2	77.7	79.0	79.5	79.0	80.0
2014				38.5	73.0	84.2	89.0	91.0	89.8	91.1
2015					31.8	55.4	65.7	75.0	76.4	78.3
2016						38.4	57.5	69.4	76.3	79.9
2017							18.1	44.2	59.3	65.2
2018								21.6	53.3	66.2
2019									30.3	55.1
2020										25.8
									Total	$ 623.0
Outstanding liabilities for unpaid losses and ALAE prior to 2011, net of reinsurance										1.8
Total outstanding liabilities for unpaid losses and ALAE, net of reinsurance										$ 180.4

	As of December 31, 2020	
Accident Year	Incurred Losses & ALAE, Net of Reinsurance	IBNR & Expected Development on Reported Claims
2011	$ 33.5	$ —
2012	58.9	—
2013	81.6	—
2014	101.3	—
2015	95.7	—
2016	90.7	1.6
2017	86.1	3.6
2018	75.7	5.2
2019	77.7	12.9
2020	100.4	51.5

[1] Information presented for calendar years prior to 2020 is required supplementary information and is unaudited.

Syndicate 1200 Claim Frequency Information

Cumulative claim frequency information has been excluded from the Syndicate 1200 Liability, Professional, Property and Specialty incurred and paid claims development tables above due to the impracticality of obtaining such information at the level required for meaningful disaggregated disclosure.

Syndicate 1200 measures claim frequency based on the number of reported claims by individual claimant at a coverage level for non-bordereau reporting, which is consistent with market practices for insurance business sourced through open market channels. For claims reported on a bordereau for business sourced through channels such as Lloyd's authorized coverholders, which constitutes approximately half of the business written in Syndicate 1200, the number of reported claims is measured by bordereau report at a coverage level. This method of tracking and analyzing bordereau-reported claims is consistent with common industry practice within the Lloyd's market. The information for both bordereau and non-bordereau claims may be pooled dependent on the class of business and analyzed in the aggregate to determine the ultimate cost of settling the claims by line of business and Lloyd's year of account. Due to our methodology of establishing ultimate liabilities for Syndicate 1200 claims, there is not a reasonable way to disaggregate the IBNR reserves and expected development on reported claims between bordereau and non-bordereau business for separate disclosure.

The reconciliation of the net incurred and paid development tables to the liability for unpaid losses and LAE in our consolidated balance sheets is as follows:

(in millions)	As of December 31, 2020
Liabilities for unpaid losses and ALAE:	
US Operations:	
Excess and Surplus Lines - Liability	$ 935.8
Commercial Specialty - Liability	481.2
Commercial Specialty - Professional	287.3
Commercial Specialty - Specialty	39.3
International Operations:	
Reinsurance - Property	70.4
Argo Insurance Bermuda- Liability	77.4
Syndicate 1200 - Liability	101.0
Syndicate 1200 - Professional	121.5
Syndicate 1200 - Property	125.7
Syndicate 1200 - Specialty	180.4
Run-off Lines	165.5
Other lines	270.8
Total liabilities for unpaid losses and ALAE, net of reinsurance	2,856.3
Reinsurance recoverables on unpaid losses and LAE:	
US Operations:	
Excess and Surplus Lines - Liability	419.9
Commercial Specialty - Liability	376.1
Commercial Specialty - Professional	199.7
Commercial Specialty - Specialty	29.0
International Operations:	
Reinsurance - Property	288.6
Argo Insurance Bermuda- Liability	172.3
Syndicate 1200 - Liability	53.4
Syndicate 1200 - Professional	84.3
Syndicate 1200 - Property	102.6
Syndicate 1200 - Specialty	122.8
Run-off Lines	75.9
Other lines	575.3
Total reinsurance recoverables on unpaid losses and LAE	2,499.9
Unallocated loss adjustment expenses	67.6
Unamortized reserve discount	(17.8)
Gross liability for unpaid losses and LAE	$ 5,406.0

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

Claims Duration

The following table provides supplementary unaudited information about the annual percentage payout of incurred losses and ALAE, net of reinsurance, as of December 31, 2020:

	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
U.S. Operations:										
Excess and Surplus Lines - Liability	6.7%	15.7%	20.9%	20.8%	12.7%	8.5%	5.1%	3.3%	2.1%	1.3%
Specialty Admitted - Liability	14.1%	22.0%	18.6%	16.3%	9.6%	6.1%	4.0%	2.7%	1.8%	1.3%
Specialty Admitted- Professional	6.1%	22.8%	27.3%	20.4%	9.2%	6.2%	3.4%	1.9%	1.1%	0.6%
Specialty Admitted - Specialty	53.7%	11.6%	28.7%	3.6%	1.4%	0.6%	0.2%	0.1%	N/A	N/A
International Operations:										
Reinsurance - Property	24.9%	34.0%	20.7%	14.5%	2.5%	1.2%	0.7%	0.4%	0.3%	0.2%
Argo Insurance Bermuda - Liability	N/A	20.8%	15.6%	14.8%	12.2%	9.3%	6.9%	5.1%	3.7%	2.8%
Syndicate 1200 - Liability	5.8%	12.1%	13.4%	15.0%	16.0%	11.7%	6.9%	5.2%	3.7%	2.7%
Syndicate 1200 - Professional	6.1%	13.7%	18.5%	17.6%	12.4%	8.7%	5.9%	4.5%	3.2%	2.3%
Syndicate 1200 - Property	42.8%	30.2%	14.3%	8.4%	2.7%	0.8%	0.4%	0.2%	0.1%	N/A
Syndicate 1200 - Specialty	37.4%	31.0%	16.7%	9.2%	3.0%	1.5%	0.6%	0.3%	0.1%	N/A

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

Information About Amounts Reported at Present Value

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

	Carrying Amount of Reserves for Losses & LAE		Aggregate Amount of Discount	
	As of December 31,		As of December 31,	
(in millions, except discount percentages)	2020	2019	2020	2019
U.S. Operations:				
Specialty Admitted - Liability	$ 150.4	$ 153.1	$ 12.9	$ 13.0
Run-off Lines	128.4	148.9	4.9	4.9
Total	$ 278.8	$ 302.0	$ 17.8	$ 17.9

	Interest Accretion [1]		Discount Rate	
	For the Years Ended December 31,		As of December 31,	
	2020	2019	2020	2019
U.S. Operations:				
Specialty Admitted - Liability	$ 1.9	$ 1.3	2.25%	2.25%
Run-off Lines	—	0.2	3.50%	3.50%
Total	$ 1.9	$ 1.5		

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

9. Run-off Lines

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

The following table presents our gross reserves for Run-off Lines as of December 31:

	December 31,	
(in millions)	2020	2019
Asbestos and Environmental:		
Reinsurance assumed	$ 29.4	$ 26.7
Other	29.9	25.9
Total Asbestos and Environmental	59.3	52.6
Risk management	162.4	188.1
Run-off reinsurance lines	0.5	0.5
Other run-off lines	14.3	12.3
Gross reserves - Run-off Lines	236.5	253.5

We have received asbestos and environmental liability claims arising from other liability coverage primarily written in the 1960s, 1970s and into the mid-1980s. Asbestos and environmental claims originate from policies directly underwritten by us and from reinsurance assumed during this period, including a portion assumed from the London market. The following table represents the total gross reserves for our asbestos exposure:

	December 31,	
(in millions)	2020	2019
Direct written		
Case reserves	$ 3.1	$ 2.7
Unallocated loss adjustment expense ("ULAE")	0.5	0.5
Incurred but not reported ("IBNR")	20.2	16.1
Total direct written reserves	23.8	19.3
Assumed domestic		
Case reserves	8.4	9.1
ULAE	0.8	0.8
IBNR	12.8	11.2
Total assumed domestic reserves	22.0	21.1
Assumed London		
Case reserves	1.4	1.3
ULAE	—	—
IBNR	1.6	1.1
Total assumed London reserves	3.0	2.4
Total asbestos reserves	$ 48.8	$ 42.8

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

(in millions)	For the Years Ended December 31, 2020	2019
Asbestos and Environmental:		
Reinsurance assumed	$ (5.7)	$ (4.4)
Other	(11.7)	(3.9)
Total Asbestos and Environmental	(17.4)	(8.3)
Risk management	4.3	(4.9)
Run-off reinsurance lines	0.4	0.7
Other run-off lines	(3.4)	(1.7)
Total underwriting loss - Run-off Lines	$ (16.1)	$ (14.2)

Reserves for asbestos and environmental claims cannot be estimated with traditional loss reserving techniques that rely on historical accident year loss development factors. The uncertainty in the asbestos and environmental reserves estimates arises from several factors including lack of actuarially credible historical data, inapplicability of standard actuarial projection techniques, uncertainty with regards to claim costs, coverage interpretations and judicial, statutory and regulatory provisions under which the claims may be ultimately resolved. It is impossible to predict how the courts will interpret coverage issues and these resolutions may have a material impact on the ultimate resolution of the asbestos and environmental liabilities. We use a variety of estimation methods to calculate reserves as a whole; however, reserves for asbestos and environmental claims were determined utilizing 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 8, "Reserves for Losses and Loss Adjustment Expenses" for further discussion.

10. Senior Unsecured Fixed Rate Notes

In September 2012, Argo Group, through its subsidiary Argo Group US, issued $143,750,000 aggregate principal amount of the Argo Group US's 6.5% Senior Notes due September 15, 2042 (the "Notes"). The Notes are unsecured and unsubordinated obligations of the Argo Group US and rank equally in right of payment with all of Argo Group US's other unsecured and unsubordinated debt. The Notes are guaranteed on a full and unconditional senior unsecured basis by the Argo Group. The Notes may be redeemed, for cash, in whole or in part, on or after September 15, 2017, at Argo Group US'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 2015-03, "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, 2020 and 2019, the Notes consisted of the following:

(in millions)	December 31, 2020	December 31, 2019
Senior unsecured fixed rate notes		
Principal	$ 143.8	$ 143.8
Less: unamortized debt issuance costs	(3.6)	(3.8)
Senior unsecured fixed rate notes, less unamortized debt issuance costs	$ 140.2	$ 140.0

11. Long-term Debt

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, 2020 and 2019, 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, 2020

(in millions) Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rates at December 31, 2020	Amount
05/15/2003	Argonaut Group Statutory Trust I	05/15/2033	3M LIBOR + 4.10%	4.32 %	$ 15.5
12/16/2003	Argonaut Group Statutory Trust III	01/08/2034	3M LIBOR + 4.10%	4.34 %	12.3
04/29/2004	Argonaut Group Statutory Trust IV	04/29/2034	3M LIBOR + 3.85%	4.07 %	13.4
05/26/2004	Argonaut Group Statutory Trust V	05/24/2034	3M LIBOR + 3.85%	4.05 %	12.3
05/12/2004	Argonaut Group Statutory Trust VI	06/17/2024	3M LIBOR + 3.80%	4.03 %	13.4
09/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	3.82 %	15.5
09/22/2004	Argonaut Group Statutory Trust VIII	09/22/2034	3M LIBOR + 3.55%	3.79 %	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	3.82 %	15.5
09/14/2005	Argonaut Group Statutory Trust X	09/15/2035	3M LIBOR + 3.40%	3.62 %	30.9
	Total Outstanding				$ 144.3

December 31, 2019

(in millions) Issue Date	Trust Preferred Pools	Maturity	Rate Structure	Interest Rates at December 31, 2019	Amount
05/15/2003	Argonaut Group Statutory Trust I	05/15/2033	3M LIBOR + 4.10%	6.01 %	$ 15.5
12/16/2003	Argonaut Group Statutory Trust III	01/08/2034	3M LIBOR + 4.10%	6.09 %	12.3
04/29/2004	Argonaut Group Statutory Trust IV	04/29/2034	3M LIBOR + 3.85%	5.76 %	13.4
05/26/2004	Argonaut Group Statutory Trust V	05/24/2034	3M LIBOR + 3.85%	5.76 %	12.3
05/12/2004	Argonaut Group Statutory Trust VI	06/17/2034	3M LIBOR + 3.80%	5.70 %	13.4
09/17/2004	Argonaut Group Statutory Trust VII	12/15/2034	3M LIBOR + 3.60%	5.49 %	15.5
09/22/2004	Argonaut Group Statutory Trust VIII	09/22/2034	3M LIBOR + 3.55%	5.48 %	15.5
10/22/2004	Argonaut Group Statutory Trust IX	12/15/2034	3M LIBOR + 3.60%	5.49 %	15.5
09/14/2005	Argonaut Group Statutory Trust X	09/15/2035	3M LIBOR + 3.40%	5.29 %	30.9
	Total Outstanding				$ 144.3

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"). As part of the ongoing liquidation of the Maybrooke holding company, which began subsequent to our acquisition in 2018, the acquired debt was ultimately assigned to Argo Re and is carried on our consolidated balance sheet at $85.1 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, 2020, 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, 2020

(in millions) Issue Date	Maturity	Rate Structure	Interest Rate at December 31, 2020	Principal at December 31, 2020	Carrying Value at December 31, 2020
September 13, 2007	September 15, 2037	3 month LIBOR + 3.15%	3.37 %	$ 91.8	$ 85.1

December 31, 2019

(in millions)			Interest Rate at	Principal at	Carrying Value at
Issue Date	Maturity	Rate Structure	December 31, 2019	December 31, 2019	December 31, 2019
September 13, 2007	September 15, 2037	3 month LIBOR + 3.15%	5.04 %	$ 91.8	$ 84.7

Other Indebtedness

Floating Rate Loan Stock

This unsecured debt was assumed through the acquisition of Argo Underwriting Agency, Ltd. At December 31, 2020 and 2019, all notes were eligible for redemption subject to certain terms and conditions at a price equal to 100% of the principal plus accrued and unpaid interest. Interest on the U.S. dollar and euro notes is due semiannually and quarterly, respectively. A summary of the notes outstanding at December 31, 2020 and 2019 is presented below:

December 31, 2020

(in millions)				Interest Rates at	
Currency	Issue Date	Maturity	Rate Structure	December 31, 2020	Amount
U.S. Dollar	12/8/2004	11/15/2034	6 month LIBOR + 4.2%	4.54 %	$ 6.5
U.S. Dollar	10/31/2006	1/15/2036	6 month LIBOR + 4.0%	4.34 %	10.0
Total U.S. Dollar notes					16.5
Euro	9/6/2005	8/22/2035	3 month LIBOR + 4.0%	3.47 %	14.7
Euro	10/31/2006	11/22/2036	3 month LIBOR + 4.0%	3.47 %	12.9
Euro	6/8/2007	9/15/2037	3 month LIBOR + 3.9%	3.36 %	16.6
Total Euro notes					44.2
Total notes outstanding					$ 60.7

December 31, 2019

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

No principal payments have been made since the acquisition of Argo Underwriting Agency, Ltd. The floating rate loan stock denominated in euros fluctuates due to foreign currency translation. The outstanding balance on these loans was $44.2 million and $39.8 million as of December 31, 2020 and 2019, respectively. The foreign currency translation adjustment is recorded in our consolidated statements of income (loss).

Borrowing Under Revolving Credit Facility

On November 2, 2018, each of Argo Group U.S., Inc., Argo International Holdings Limited, and Argo Underwriting Agency Limited (the "Borrowers") entered into a new $325 million credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement replaced the prior $325 million Credit Agreement (the "Prior Agreement"), dated as of March 3, 2017. In addition, the Credit Agreement provides for a $200 million revolving credit facility, and the commitments thereunder shall expire on November 2, 2023 unless extended in accordance with the terms of the Credit Agreement. Interest accrues based on a variable rate, which resets and is payable based on reset options selected by the Borrowers pursuant to the terms of the Credit Agreement.

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

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, the Borrowers could be required immediately to repay all amounts outstanding under the Credit Agreement. Lenders holding at least a majority of the loans and commitments under the Credit Agreement could elect to accelerate the maturity of the loans and/or terminate the commitments under the Credit Agreement upon the occurrence and during the continuation of an event of default.

Included in the Credit Agreement is a provision that allows up to $200.0 million of the revolving credit facility to be used for letters of credit ("LOCs"), subject to availability. At December 31, 2020 and 2019, there were no borrowings outstanding and $70.5 million of LOCs, respectively, issued against the Credit Facility.

Letter of Credit Facilities

Argo Re may be required to secure its obligations under various reinsurance contracts in certain circumstances. In order satisfy these requirements, Argo Re has entered into one committed and two uncommitted secured bilateral LOC facilities with commercial banks and generally uses these facilities to issue LOCs in support of non-admitted reinsurance obligations in the U.S. and other jurisdictions. The committed LOC facility has a term of one year and includes customary conditions and event of default provisions. The uncommitted LOC facilities do not have a term and issuance of LOCs 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, 2020, committed and uncommitted letter of credit facilities totaled $205 million.

12. Disclosures about Fair Value of Financial Instruments

Cash. The carrying amount approximates fair value.

Investment securities and short-term investments. See Note 4, "Investments," for additional information.

Premiums receivable and reinsurance recoverables on paid losses. The carrying value of current receivables and reinsurance recoverables on paid losses approximates fair value.

Debt. At December 31, 2020 and 2019, the fair value of our debt instruments is determined using both Level 1 and Level 2 inputs, as previously defined in Note 4, "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, 2020 and December 31, 2019. A description of the valuation techniques we use to measure these liabilities at fair value is as follows:

Senior Unsecured Fixed Rate Notes Level 1:

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

Junior Subordinated Debentures and Floating Rate Loan Stock Level 2:

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

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

(in millions)	December 31, 2020 Carrying Amount	December 31, 2020 Fair Value	December 31, 2019 Carrying Amount	December 31, 2019 Fair Value
Junior subordinated debentures:				
Trust preferred debentures	$ 144.3	$ 145.1	$ 144.3	$ 145.4
Subordinated debentures acquired with Maybrooke	85.1	92.3	84.7	92.5
Total junior subordinated debentures	229.4	237.4	229.0	237.9
Senior unsecured fixed rate notes	140.2	146.7	140.0	144.2
Floating rate loan stock	60.7	61.0	56.3	56.8

(in millions)	December 31, 2020	Fair Value Measurements at Reporting Date Using Level 1 (a)	Level 2 (b)	Level 3 (c)
Junior subordinated debentures:				
Trust preferred debentures	$ 145.1	$ —	$ 145.1	$ —
Subordinated debentures	92.3	—	92.3	—
Total junior subordinated debentures	237.4	—	237.4	—
Senior unsecured fixed rate notes	146.7	146.7	—	—
Floating rate loan stock	61.0	—	61.0	—
	445.1	—	298.4	—

(a) Quoted prices in active markets for identical assets

(b) Significant other observable inputs

(c) Significant unobservable inputs

(in millions)	December 31, 2019	Fair Value Measurements at Reporting Date Using Level 1 (a)	Level 2 (b)	Level 3 (c)
Junior subordinated debentures:				
Trust preferred debentures	$ 145.4	$ —	$ 145.4	$ —
Subordinated debentures	92.5	—	92.5	—
Total junior subordinated debentures	237.9	—	237.9	—
Senior unsecured fixed rate notes	144.2	144.2	—	—
Floating rate loan stock	56.8	—	56.8	—
	438.9	144.2	294.7	—

(a) Quoted prices in active markets for identical assets

(b) Significant other observable inputs

(c) Significant unobservable inputs

13. Shareholders' Equity

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

Argo Re did not repurchase any shares for the years ended December 31, 2020 and 2019, respectively.

14. Underwriting, Acquisition and Insurance Expenses

Underwriting, Acquisition and Insurance Expenses

Underwriting, acquisition and insurance expenses were as follows:

(in millions)	For the Year Ended December 31, 2020	2019
Commissions	$ 268.0	$ 241.4
General expenses	370.8	378.0
Premium taxes, boards and bureaus	29.7	33.0
	668.5	652.4
Net deferral of policy acquisition costs	(9.3)	12.4
Total underwriting, acquisition and insurance expenses	$ 659.2	$ 664.8

Other Corporate Expenses

During the years ended December 31, 2020 and December 31, 2019, we incurred costs of $1.4 million and $10.8 million, respectively, primarily related to costs associated with the review of group reserves and the write down of long-lived assets.

These non-recurring costs are included in the line item "Other corporate expenses" in the Company's Consolidated Statement of (Loss) Income.

15. Income Taxes

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

We do not consider ourselves to be engaged in a trade or business in the U.S. or the U.K. and, accordingly, do not expect to be subject to direct U.S. or U.K. income taxation.

We have subsidiaries based in the U.K. that are subject to the tax laws of that country. Under current law, these subsidiaries are taxed at the applicable corporate tax rates. Certain U.K. subsidiaries are deemed to be engaged in business in the U.S., and therefore, are subject to U.S. corporate tax in respect of a proportion of their U.S. underwriting business only. Relief is available against the U.K. tax liabilities in respect of overseas taxes paid that arise from the underwriting business. Our U.K. subsidiaries file separate U.K. income tax returns.

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

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

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

(in millions)	For the Years Ended December 31, 2020	2019
Current income tax provision (benefit) related to:		
United States (Federal)	28.0	37.3
United States (State)	1.4	1.7
United Kingdom	(0.1)	(1.5)
Other jurisdictions	— [1]	0.1
Total current income tax provision	29.3	37.6
Deferred income tax provision (benefit) related to:		
United States	(5.1)	(17.7)
United Kingdom	(16.6)	(5.8)
Other jurisdictions	0.1	—
Total deferred income tax (benefit)	(21.6)	(23.5)
Income tax provision (benefit)	7.7	14.1

[1] Pre-tax income for the respective year was less than $0.1 million.

Our expected income tax provision 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, 2020 and 2019, pre-tax income (loss) attributable to our operations and the operations' effective tax rates were as follows:

	2020		2019	
(in millions)	Pre-Tax Income (Loss)	Effective Tax Rate	Pre-Tax Income (Loss)	Effective Tax Rate
Bermuda	$ (20.0)	— %	$ 3.0	— %
United States	103.3	22.7 %	84.6	24.6 %
United Kingdom	(100.6)	15.7 %	(45.9)	14.9 %
Belgium	0.2	30.7 %	— [1]	15.8 %
Brazil	3.9	— %	5.2	— %
United Arab Emirates	2.1	— %	0.4	— %
Ireland	1.8	— %	(0.1)	— %
Italy	0.6	— %	(7.4)	— %
Malta	(1.4)	— %	(2.0)	— %
Switzerland	(0.1)	— %	(0.2)	(20.0)%
Pre-tax income	$ (10.2)	(75.5)%	$ 37.6	37.5 %

[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:

	For the Years Ended December 31,	
(in millions)	2020	2019
Income tax provision (benefit) at expected rate	$ 4.0	$ 8.9
Tax effect of:		
Nontaxable investment income	(0.7)	(1.2)
Foreign exchange adjustments	1.6	(0.1)
Impairment of goodwill	1.0	2.9
Withholding taxes	0.1	0.2
Change in uncertain tax position liability	0.7	1.4
Change in valuation allowance	0.5	(1.8)
Other	0.5	3.8
Income tax provision (benefit)	$ 7.7	$ 14.1

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

	December 31,	
(in millions)	2020	2019
Deferred tax assets:		
Losses and loss adjustment expense reserve discounting	$ 29.2	$ 24.6
Unearned premiums	25.9	25.3
Net operating loss carryforwards	27.9	28.3
Investment in Limited Partnership Interests	7.8	10.3
Investment	2.0	2.2
Right of use asset	12.7	14.5
Accrued compensation	6.3	3.8
Stock option expense	0.7	1.1
United Kingdom underwriting results	21.9	4.2
Other	9.6	6.3
Deferred tax assets, gross	144.0	120.6
Deferred tax liabilities:		
Unrealized gains on equity securities	(5.7)	(2.6)
Unrealized gains on fixed maturities and other investment securities	(22.3)	(6.1)
Unrealized gains on limited partnership interests	(14.7)	(15.6)
Depreciable fixed assets	(20.5)	(21.6)
Deferred acquisition costs	(20.4)	(18.6)
Lease liability	(11.7)	(14.0)
TCJA reserve transitional liability	(2.7)	(3.2)
Other	(0.7)	(0.2)
Deferred tax liabilities, gross	(98.7)	(81.9)
Deferred tax assets, net before valuation allowance	$ 45.3	$ 38.7
Valuation allowance	(28.6)	(28.1)
Deferred tax assets, net	$ 16.7	$ 10.6
Net deferred tax assets - Other jurisdictions	$ 21.4	$ 4.4
Net deferred tax assets (liabilities) - United States	(4.7)	6.2
Deferred tax assets, net	$ 16.7	$ 10.6

Our gross deferred tax assets are supported by taxes paid in previous periods, reversal of taxable temporary differences and recognition of future taxable income. Management regularly evaluates the recoverability of the deferred tax assets and makes any necessary adjustments to them based upon any changes in management's expectations of future taxable income. Realization of deferred tax assets is dependent upon our generation of future taxable income sufficient to recover tax benefits that cannot be recovered from taxes paid in the carryback period, generally for our U.S. property and casualty insurers two years for net operating losses and for all our U.S. subsidiaries three years for capital losses. If a company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. The net change in valuation allowance for deferred tax assets was an increase of $0.5 million in 2020, relating to the following: Internal Revenue Code Section 382 limited net operating loss carryforwards within the U.S., cumulative losses incurred since inception, and valuation allowances acquired through or related to acquisitions. Based upon a review of our available evidence, both positive and negative discussed above, our management concluded that it is more-likely-than-not that the other deferred tax assets will be realized.

For tax return purposes, as of December 31, 2020, we had NOL carryforwards in Brazil, Italy, Malta, and the United States. The amount and timing of realizing the benefits of NOL carryforwards depend on future taxable income and limitations imposed by tax laws. Only a portion of the United States NOL carryforwards has been recognized as mentioned above in the consolidated financial statements and is included in net deferred tax liabilities. The NOL amounts by jurisdiction and year of expiration are as follows:

(in millions)	December 31, 2020	Expiration
Net operating loss carryforwards by jurisdiction		
Brazil	$ 0.7	Indefinite
Italy	49.6	Indefinite
Malta	14.3	Indefinite
United States	43.3	2025 - 2037

For any uncertain tax positions not meeting the "more-likely-than-not" recognition threshold, accounting standards require recognition, measurement and disclosure in a company's financial statements. Included in the balances at December 31, 2020 and 2019 were $8.2 million and $7.5 million, respectively, of unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. The Company believes it is reasonably possible that $4.3 million of the total amount of uncertain tax benefits will decrease within the next 12 months as a result of a lapse of the statute of limitations or settlement with taxing authorities. Related interest in the amount of $0.5 million, $0.5 million, and $0.3 million has been recorded in the line item "Interest Expense" in our Consolidated Statements of Income (Loss) for the year ended December 31, 2020, 2019, and 2018, respectively. Related penalty in the amount of $0.1 million, $0.2 million, and $0.5 million has been recorded in the line item "Underwriting, acquisition and insurance expenses" in our Consolidated Statements of Income (Loss) for the year ended December 31, 2020, 2019, and 2018, respectively.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2020 and 2019:

(in millions)	2020	2019
Balance at January 1	$ 7.5	$ 6.1
Additions for tax positions of prior years	—	—
Reductions for tax positions of prior years	—	—
Additions based on tax positions related to current year	0.7	1.4
Reductions based on tax positions related to current year	—	—
Reductions based on settlements with taxing authorities	—	—
Expiration of statute of limitations	—	—
Balance at December 31	$ 8.2	$ 7.5

Our U.S. subsidiaries are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015. Our U.K. subsidiaries are no longer subject to U.K. income tax examinations by Her Majesty's Revenue and Customs for years before 2018.

Numerous foreign jurisdictions in which we operate have provided or proposed income-tax relief in response to the COVID-19 pandemic. Within the U.S., the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act") was enacted on March 27, 2020. The Company does not anticipate the CARES Act to have a material impact on its financial statements and will continue to analyze it and other income-tax relief measures in response to the COVID-19 pandemic.

The Consolidated Appropriations Act (the "CAA") was enacted on December 27, 2020. The Company does not anticipate the CAA to have a material impact on its financial statements and will continue to analyze it.

16. Pension Benefits and Savings Plans

Argo Group U.S. sponsors a qualified defined benefit plan and non-qualified unfunded supplemental defined benefit plans, all of which were curtailed effective February 2004. As of December 31, 2020 and 2019, the qualified pension plan was underfunded by $4.2 million and $3.7 million, respectively. The non-qualified pension plans were unfunded by $2.0 million at December 31, 2020 and 2019, respectively. Underfunded and unfunded amounts are included in "accrued underwriting expenses and other liabilities" in our consolidated balance sheets. Based on the current funding status of the pension plan, effects of the curtailment and expected changes in pension plan asset values and pension obligations, we do not believe any significant funding of the pension plan will be required during the year ending December 31, 2021. Net periodic benefit costs were $0.1 million and $0.3 million for the years ended December 31, 2020 and 2019, respectively.

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 the employee's pay may be or is mandated based on applicable laws to be contributed to various savings alternatives. The plans also call for our contributions under several formulae. Charges to income related to our contributions were $8.9 million and $8.4 million in 2020 and 2019, respectively.

17. 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 $80.0 million related to our limited partnership investments at December 31, 2020. These commitments will be funded as required by the partnership agreements which can be called to be fulfilled at any time, not to exceed twelve years.

18. 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]	**December 31,**	
(in millions)	**2020**	**2019**
Bermuda	$ 1,482.8	$ 1,460.8
United Kingdom [2]	534.7	443.1
United States	1,072.1	1,051.4

[1] Such amounts include ownership interests in affiliate insurance and reinsurance subsidiaries, as well as amounts related to intercompany transactions which are not eliminated on a standalone statutory basis.

[2] Capital on deposit with Lloyd's in U.S. Dollars

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

Statutory net income (loss) [1]	**For the Year Ended December 31,**	
(in millions)	**2020**	**2019**
Bermuda	$ (35.9)	$ 7.1
United Kingdom [2]	(53.0)	(15.1)
United States	76.4	196.1

[1] Such amounts include ownership interests in affiliate insurance and reinsurance subsidiaries, as well as amounts related to intercompany transactions which are not eliminated on a standalone statutory basis.

[2] In U.S. Dollars

Dividends

As an insurance and reinsurance company, we are largely dependent on dividends and other permitted payments from our insurance subsidiaries to assist in the payment of cash dividends to Argo Group, 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 governed by the Bermuda Companies Act of 1981, as amended, which permits the payment of dividends so long as (i) we are not, or would not be after the payment, unable to pay our liabilities as they become due and (ii) the realizable value of our assets is in excess of our liabilities after taking such payment into account. In light of these restrictions, we have no material restrictions on dividend payments that may be made to our shareholders at December 31, 2020.

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

As of December 31, 2020, 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, 2020 and 2019, the minimum statutory capital and surplus required to be maintained by Argo Re was $201.3 million and $242.9 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 2020 without prior regulatory approval is $370.7 million.

In 2020 and 2019, Argo Re paid a cash dividend of $58.8 million and $52.1 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.

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 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.

In December 2020, Argo Group U.S. received an ordinary dividend in the amount of $10.0 million in cash from Rockwood. In December 2020, Argo Group U.S. received an ordinary dividend in the amount of $50.0 million in cash from Argonaut Insurance Company. In December 2019, Argo Group U.S. received an ordinary dividend of $30.0 million in cash from Rockwood. In December 2019, Argo Group U.S. received an ordinary dividend in the amount of $50.0 million in cash from Argonaut Insurance Company.

Argonaut Insurance Company is a direct subsidiary of Argo Group US and is regulated by the Illinois Division of Insurance. During 2020, Argonaut Insurance Company may be permitted to pay dividends of up to $97.5 million without approval from the Illinois Division of Insurance. Rockwood, a direct subsidiary of Argo Group US, is regulated by the Pennsylvania Department of Insurance. Rockwood may not be permitted to pay dividends without approval from the Pennsylvania Department of Insurance during 2020. Each department of insurance may require prior approval for the payment of all dividends, based on business and regulatory conditions of the insurance companies.

Argo Underwriting Agency Ltd. ("AUA") is our wholly-owned subsidiary through which we conduct the operations of Syndicates 1200 and 1910. Dividend payments from AUA to the immediate parent are not restricted by regulatory authority. Dividend payments will be subject to the earnings, operations, financial condition, capital and general business requirements of AUA.

Certain assets of our subsidiaries are pledged to regulatory agencies, serve as collateral for letters of credit or are assigned as the assets of the trade capital providers of our Lloyd's syndicate, and therefore, are not available funds that may be paid up as dividends to Argo Group. See Note 4, "Investments" for further discussion.

19. Insurance Assessments

We are required to participate in statutorily created insolvency guarantee, weather-related loss protection associations, and second-injury funds in all states in the U.S. where we are authorized to transact business. These associations were formed for the purpose of paying the claims of insolvent companies. We are assessed a pro-rata share of such claims based upon our premium writings, subject to a maximum annual assessment per line of insurance. Certain of these assessments can be recovered through premium tax offsets or policy surcharges. We do not believe that assessments on current insolvencies will have a material impact on our financial condition or results of operations. We have accrued assessments of $6.7 million and $6.9 million at December 31, 2020 and 2019, respectively.

20. Transactions with Related Parties

In 2013, our Surety unit received a submission through its established broker network to issue approximately $13 million of surety bonds on behalf of Kinetica Partners, LLC ("Kinetica") in connection with a Gulf of Mexico pipeline project. Mr. Gary Woods, the former Chairman of our Board who served in such role until the 2020 Annual General Meeting, is also the Chairman of the board of directors of Kinetica, and beneficially owns 10% of Kinetica through a family trust. The submission was underwritten, priced and bound in the ordinary course of business by the Surety unit. The terms and conditions of the surety bonds that were issued and the premium charged to Kinetica for issuance of the bonds, were consistent with those routinely applied and charged for similarly situated risks bound for unrelated third-parties. As of December 31, 2020, approximately $12 million of the surety bonds were still outstanding. Per the Surety unit's standard requirements in connection with the issuance of surety bonds, Kinetica and Mr. Woods, in his personal capacity, among others, executed our Surety unit's standard form of indemnity agreement holding our Surety unit harmless against any and all losses and expenses incurred resulting from the issuance of the surety bonds.