# Q3 2021 Earnings Call

## Company Participants

- Gregory Charpentier, AVP of Investor Relations and Corporate Finance
- Kevin J. Rehnberg, Chief Executive Officer
- Scott Kirk, Chief Financial Officer

## Other Participants

- Alex Blostein
- Casey Alexander
- Matthew Carletti
- Ronald Bobman

## Presentation

### Operator

Hello, and welcome to the Argo Group Third Quarter 2021 Earnings Call. My name is Alex, and I'll be coordinating the call today. (Operator Instructions). I will now hand over to your host, Greg Charpentier, AVP of Investor Relations and Corporate Finance. Greg over to you.

### Gregory Charpentier {BIO 20231789 <GO>}

Thank you, and good morning. Welcome to Argo Group's conference call for the third quarter of 2021. After the market closes last night, we issued a press release on our earnings, which is available in the investor section of our website at www.argogroup.com and was filed with the SEC.

Presenting on today's call is Kevin Rehnberg, Chief Executive Officer; and Scott Kirk, Chief Financial Officer. As the operator mentioned, this call is being recorded. As a result of this conference call, Argo management may make comments that reflect their intentions, beliefs, and expectations for the future.

Such forward-looking statements are qualified by the inherent risks and uncertainties surrounding future expectations generally and may materially differ from actual future results involving any one or more of such statements.

Argo Group undertakes no obligation to publicly update forward-looking statements as a result of events or developments subsequent to this call. For a more detailed discussion of such risks and uncertainties, please see Argo Group's filings with the SEC. Also, note that we will be referencing certain non-GAAP financial information. More information regarding these non-GAAP measures are provided in our earnings release.

I will now turn the call over to Kevin Rehnberg, Chief Executive Officer of Argo Group.

## Kevin J. Rehnberg {BIO 3832713 <GO>}

Good morning, and thank you for the introduction, Greg. Welcome to everyone on the call. I'm happy to speak today about the strong results we reported. Our operating earnings per share was $0.91 for the third quarter, despite elevated catastrophe losses the industry experienced.

Argo annualized operating return on common equity was 7.3%. Our loss ratio improved 9.8 points to 64.0% for the third quarter, and reflects lower catastrophe losses, and an improved underlying loss ratio, which is directly attributable to the strategic direction we have implemented at Argo.

We continue to make progress on reducing expenses, implementing our growth plan, and the actions we are implementing are starting to come through in our financial performance as we remain focused on pursuing profitable growth, improved underwriting margins, reduced volatility, and disciplined expense management. I'm particularly proud of the results achieved given the elevated catastrophe losses facing the insurance industry this quarter.

Over the past year, we have highlighted our strategy to reduce the volatility of our underwriting results and allocate capital to businesses with more stable returns. This was evident in the most recent quarter as our efforts to reduce property catastrophe exposure led to a significant improvement in our results.

We made the decision to exit our reinsurance operations in 2020 because we actively adjusted our insurance business to significantly reduce volatility. Given the tougher conditions, the reinsurance market has experienced recently, we are very happy with the direction we have taken.

We continue to increase attachment points and reduced limits across multiple areas of our portfolio. And our U.S. excess casualty portfolio during the first nine months of 2021, the average attachment point is up 26%, while the limits are down 11% compared to the same period in 2020.

Our D&O[ph] portfolio the average limits have continued to decrease as well. And over the past two years commercial primary and excess limits have decreased by 45% and 11%, respectively. Importantly, this leads to increased underwriting profitability, while at the same time limiting volatility.

We continue to execute on our priority of becoming leading US focus specialty insurer. This quarter, we executed on several transactions to exit underperforming or nonstrategic business, including the recent announcement to sell our Brazil operations Argo Seguros, and we closed on the sale of our contract P&C business in October.

Now our business is comprised of three main platforms. Our US operations, which represent 2/3 of our business, on a go-forward basis, followed by Syndicate 1200 and Bermuda insurance. US specialty risks are regularly placed in the Lloyds market and Bermuda. In these platforms, we are focused on US specialty risks, and we are targeting business in which we have demonstrated our expertise.

Our Bermuda insurance business has an impressive long term track record, generating underwriting profits in nine of the last ten years. And we have taken numerous actions in Syndicate 1200 on the business to optimize this portfolio and are starting to see them come through in our financial results.

On the investment side, we reported very strong results, driven by a significant contribution from our alternative investments portfolio. We adjusted our portfolio to target asset allocations based on a study conducted at the end of last year. Our bond portfolio is more heavily weighted to short durations due to the profile of our liabilities. A portfolio with shorter duration for us of three years and eight plus credit quality, positions Argo well in an inflationary environment. We also continue to hold allocations in equities and alternatives.

In terms of underlying growth, our top-line in the quarter continued to reflect our focus on growth areas. Overall, gross premium was down 1.6% in the quarter, the decrease in gross written premiums is attributable to the businesses we are exiting, plan to exit or have sold including sales of Ariel Re in November 2020, contract binding in October 202, and businesses in Italy, Malta and the U.S. grocery business.

In the ongoing businesses, premiums grew approximately 17% during the third quarter of 2021 when compared to the third quarter of 2020. U.S. growth was 3.7% in the third quarter of 2021. Premium growth continues to be driven by businesses we highlighted in March as grow and invest businesses, and those include our Argo Pro, casualty, construction, environmental, Inland Marine and Surety.

These businesses, which represent nearly 2/3 of our U.S. operations gross written premium, were up approximately 20% in total during the quarter. And more importantly, these businesses remain highly profitable with the combined ratios in the 80s and minimal catastrophe losses. There was meaningful top line impact from our decisions to reduce exposure and property and underperforming business units. On a year-to-date basis, these actions have limited top-line growth by over $60 million, but have improved overall profitability.

In the U.S., we continue to see solid rate increases in the mid-single digits on average. This is a bit less than the increase we experienced over the last couple of quarters, but we feel very good about the rates we're getting and direction of our margins. Our grow and invest businesses outpaced the U.S. average increasing in the high-single digits range.

Turning to international. Reported gross premiums were down about 10% in the third quarter due to the impact of businesses we are exiting, plan to exit or have sold including the sale of Ariel Re in November 2020, and the planned exits of businesses in Italy, and Malta. And the ongoing businesses excluding the increased share of Syndicate 1200's capacity, gross written premiums were up approximately 19%, primarily due to the higher rates. Of this growth, rate increases and exposure from lines with attractive market conditions each contributed approximately one half of that growth.

Pricing continue to be strong in the quarter with rate increases averaging 11% in international and continue to remain broad-based. Over the past three years, cumulative rate change for Syndicate 1200 has been 32%, and approximately 110% for Bermuda insurance.

We believe these businesses are well positioned to continue to generate right favorable underlying margins and market conditions remain attractive across most of our platform. We will continue to deemphasize or take strategic actions in lines where we believe market conditions are not attractive or where we do not have a competitive advantage.

Now turning to expenses. We continue to make progress towards driving efficiency in our operations. On a year-to-date basis, our non-acquisition expense ratio continues to decrease and we are making meaningful progress in several areas.

We have reduced our real estate footprint as we've embraced a hybrid and flexible work environment. Including the divested businesses our head count has decreased by 16% or 248 employees since July 2020. Additionally, we have consolidated, renegotiated or eliminated a number of contracts with outside vendors with additional significant savings to be realized going forward. We continue to target 36 expense ratio for the full-year 2022.

Overall, I'm very pleased with our results for the quarter and the progress we've been able to make on our strategic objectives.

I will now turn the call over to Scott to discuss our results in more detail.

## Scott Kirk {BIO 18973074 <GO>}

Yes. Thank you, Kevin, and good morning, everybody. We reported strong earnings during the third quarter of 2021, driven by reduced catastrophe losses and improved combined ratio, and a strong contribution from alternative investments. The combination of these factors resulting in operating earnings per diluted share of $0.91 and an annualized operating return on common equity of 7.3%.

I'll turn first to our consolidated operating results. Gross written premiums decreased by 1.6% in the third quarter of 2021. However, allowing for the impact of previously announced exits premiums are up approximately 17% during the third quarter of 2021.

Now while reported grocery premiums decreased, net written and net earned premium both grew approximately 9% per quarter. As we discussed previously, the key drivers of the net premium growth are related to the sale of Ariel Re and our increased ownership percentage in Syndicate 1200's capacity, we expect net premium growth to continue to outpace the change in groceries and premium for the balance of this year.

The third quarter on year-to-date basis, our retention ratio calculated as net written premiums divided by gross written premiums increased 7 points to $0.67 and 61%, respectively. This was primarily result of the increased retention in our international segment, resulting mainly from the sale of Ariel Re, where we retained very little of the risk on a net basis and our increased participation in 1200 results. The U.S. segment also contributed to the retention increase due to the ships and business mix towards focus lines business where we retained more of the risk net.

In the third quarter of 2021, we reported a loss ratio of 64%, down nearly 10 points from 73.8% during the prior year period. The improvement reflected lower CAT losses and improved ex-CAT current accidentally loss ratio. Our CAT losses totaled $27 million or just under 6 points of the combined ratio on the third quarter 2021. Of which, $24 million related to natural catastrophes and $3 million related to the impact from COVID.

This result compares favorably to catastrophe losses of $71 million or 16 points on the combined ratio on the prior-year quarter, which included $54 million related to natural catastrophes and $17 million related to the COVID-19 pandemic.

As Kevin mentioned, the successful implementation of our strategy to reduce property tax related exposures has resulted in a significant reduction in our catastrophe losses, despite elevated industry CAT losses during the quarter.

Unfavorable reserve development totaled $6 million in the third quarter of 2021, this was driven by $7 million one-time accounting adjustment in our international segment. The prior year quarter included $1.6 million of adverse reserve development.

The ex-CAT current accident year loss ratio came in at 57.1% in the third quarter, which represents 30 basis point improvement from the prior year quarter. The improvement reflects the impact of continued rate increases as well as the benefits from our reunderwriting actions.

Turning now to our expenses. Our expense ratio was 36.3% in the third quarter 2021, and was flat compared to the prior quarter. Both our acquisition expense and general and administrative expense ratio were in line with Q3 2020.

Importantly, however, this marks the third consecutive quarter of improvement in our expense ratio, and our year-to-date expense ratio now stands at 37.3%. As we said previously, the improvement in the expense ratio is not going to be linear and we remain committed to the 36% expense ratio target in 2022.

In the quarter, we also incurred $8 million in non-operating expenses mainly related to the reduction in our real estate footprint, and we expect the benefits to begin to materialize in expense ratio in 2022.

Turning now to our segment results, in U.S. gross written premiums were up 3.7%, comparable slow quarter 2020. The growth in the period was driven by our grow and invest businesses that include Argo Pro, Casualty, Construction, Environmental, Inland Marine and Surety.

Now our gross written premiums increased just under that 4%. Net written premiums and net earned premiums in the U.S. increased by 7% and 8% respectively versus the prior year quarter. It's worth noting that after adjusting for the fronting business that we write in the US, our retention ratio was 72% in quarter and 68% on a year-to-date basis.

The U.S. Segment reported underwriting income of $15 million, and our combined ratio of 95.4% in the third quarter of 2021. The loss ratio decreased 6 points to 63%, mainly driven by reduction in catastrophe losses. The expense ratio of 32.4%, decreased 50 basis points from the prior year quarter, and was driven by improvement in both the acquisition ratio and the general and administrative expense ratio.

Improvement in the acquisition ratio was primarily related to change in the business mix and the improvement in the G&A ratio, which is due to the increase net earned premiums and the execution of expense reduction initiatives.

Turning now to our international segment. Gross written premiums declined 10% in the third quarter 2021, due to the previously announced business exits and the largest decrease in property lines. This was partially offset by higher rates and increased participation in 1200 capacity.

International net written premium and net earned premium increased by 13% and 12%, respectively versus the prior year quarter. The increase was primarily driven by growth in Syndicate 1200 due to changes in ceded insurance, rate increases achieved over the last several quarters and our increased share of the Syndicate results. Partially offset we offset by the impact of business exits, and $5 million of reinstatement premiums in the current quarter. The reinstatement premiums are mainly related to the cat events that occurred in the third quarter 2021. Our reinstatement premiums were $700,000 in the third quarter 2020.

International segment report an underwriting loss of just under $5 million in the third quarter 2021, compared to an underwriting loss of $23 million in the prior year quarter. The combined ratio decreased 13 percentage points to 102.8% in the third quarter of 2021. This decline primarily driven by the reduced catastrophe losses and continue remediation efforts and rate increases earning through the results.

Current accident year ex-CAT loss ratio was 51.6%, which increased to 130 basis points from the prior year quarter. The relative increase compared to last year was primarily driven by the impact of reinstatement premiums on the denominator, net earned premiums in the third quarter of 2021.

CAT losses during the third quarter of 2021 of $17 million or 11% -- 11 points of the combined ratio, that compared to CAT losses of $45 million or 31 points of the combined ratio in the prior year. Losses in the current year third quarter included natural catastrophe losses generated mainly by Hurricane Ida, as well as a reduced level of losses related to COVID-19.

The expense ratio of 39.5% increased 80 basis points from the prior quarter, driven by the reinstatement premiums associated with the CAT losses in the quarter.

Moving onto investments. We reported net investment income of $46 million in the quarter. The result included $24 million of income from alternative investments, principally mark-to-market gains on our private equity and hedge fund investments.

Although, we are certainly pleased with this result we're recognized of the outperformance of alternative investments from the last quarter -- last five quarters may not continue for an extended period and could revert back to long-term historical loans.

Net investment income for the remainder of our portfolio was $22 million in the quarter, which was down 3.5% from the prior-year quarter. This decline reflects the derisking actions over the last two years, as well as the lower overall yields available in the market. Our book value per share was $50.01 as of September 30, and this was flat including dividends compared to the second quarter of 2021.

Now finally let me talk about capital. On our second quarter call, we mentioned that our required funds with Lloyd's position was in the range of GBP300 to GBP350 million at the end of 2020. This figure has decreased to around GBP290 million. Let me say that again, this figure has decreased to around GBP290 million at the end of the third quarter, due to a combination of improved results in our international segment and reduced funding requirements for Syndicates 1910. A little under half of this is provided by Argo Re.

And we continually monitor our capital levels, determine whether to put it to work in the attractive opportunities to see in the marketplace, and against what we need from our regulatory and rating agency perspective. As we've said in the past and it holds true now, if we have excess capital after meeting these requirements we will look to return this to shareholders.

Operator, that concludes our prepared remarks. And we're now ready to take questions.

# Questions And Answers

## Operator

(Question And Answer)

Thank you. We will now proceed with the Q&A session. (Operator Instructions) Our first question comes from Matt Carletti from JMP Group. Matt, your line is now open.

## Q - Matthew Carletti {BIO 5249827 <GO>}

Hi. Thanks. Good morning.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Good morning.

## Q - Matthew Carletti {BIO 5249827 <GO>}

Kevin, I just have -- I just had a high level question for you, back in March I guess on Investor Day. It sounded like you largely had the team on the field, if you will, in terms of the business going forward. I think there was -- there could be some nips and tucks around the edges but the big pieces were in place.

Since then, obviously, Brazil is sold or you guys haven't said anything, it's been widely reported in the press that Syndicate 1200 is going through a sale -- has been put up for sale. Did -- is my interpretation from the Investor Day, right, do you have the big pieces on the field that you want or are there potentially still big moves to be made? Just trying to get a picture of kind of what our goal is going to look like going forward at this point.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yes. That's a -- thanks, Matt. At our Investor Day -- this is a good time to update it. That's part of the reason we put the supplement out for some updates on what is remaining because there's been so many pieces that moved around. So as I mentioned in my remarks, we are in three places now, effectively. We're in the U.S., we are in Bermuda, and we're in Syndicate 1200. I'm not going to comment on the market rumors because we don't do that.

But the point of having the supplement information was to give everybody a sense of what the underlying remaining ongoing businesses look like in there, and what the performance has been on those because we've spent a lot of time working through things and we believe that the potential for continued good results out of what we are down to is in line with our returns. And I would suggest that we are in a position where every business where we remain in is in no different position than the others have been. Or since I was running the US, all the U.S. businesses have been if there's an opportunity to make a profit and have some good opportunities for growth given environmental outlook and how we're performing and what our resources are will do so, and the business leaders understand that.

So I think it was time to help clear out the noise. Now there's going to still be some noise in the results of these things we've recently gotten out of, but this gives you a sense of what it looks like. So hopefully that helps.

## Q - Matthew Carletti {BIO 5249827 <GO>}

Yeah. And I think I appreciate you can't comment on rumors, but would it be safe that I'm hearing you right that at least as it stands today, Lloyd's Syndicate 1200 is, you consider an ongoing business?

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Absolutely. Yeah. I mean that's why -- look if you go to the supplement and look at Page 5 on the pro formas, what's left in there is actually good and we still have some things that we're moving out of and we're still getting rate. So, like I said, it's all about capital and opportunities and the U.S. businesses that haven't made it and there's been a lot of -- we've pushed out almost $1 billion over the last 10 years in businesses that didn't work out for one reason or another and still continue to grow it.

So those things are going to apply a line of business and we very recently announced in the Syndicate that we're getting out of the North American binders business and the property business. So those will have a significant impact on volatility as we go forward.

## Q - Matthew Carletti {BIO 5249827 <GO>}

Okay, great. Thank you for the color. I appreciate it.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah, thank you.

## Operator

Thank you, Matt. Our next question is from Greg Peters from Raymond James. Greg, your line is now open.

## Q - Alex Blostein {BIO 15412167 <GO>}

Good morning. This is Alex Blostein on for Greg Peters.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Oh, good morning Alex.

## Q - Alex Blostein {BIO 15412167 <GO>}

Yeah. Good morning. Maybe just first, if you could provide a little more color around the reserve development maybe the $7 million accounting adjustments.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah. So I'm going to let Scott take this one, because it's an accounting issue. So Scott, why don't you jump in here, please?

## A - Scott Kirk {BIO 18973074 <GO>}

Yeah. Thanks. Alex. It's Scott here. Look that was a result of remediation efforts that have been undertaken through the first nine months of the year. There's really nothing more to say other than that.

## Q - Alex Blostein {BIO 15412167 <GO>}

Okay. And then maybe going back to the investor presentation, you set out ceded reinsurance ratio targets. I think about 63% in the U.S., 57% in international. I guess, you still seeking those targets or the targets moved at all?

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah. So they're not actually targets, those are actual numbers and that's why we put them out there. And what we're intending to show is that it's on a trend upwards and will continue that way based on some reduction and exposures. But more importantly, the reduction in the volatility lines, which are heavily property weighted and had sort of an outsized share of reinsurance relative to what's remaining.

## Q - Alex Blostein {BIO 15412167 <GO>}

Okay. Great. And then lastly, maybe just can you touch on maybe your confidence of the right environment, maybe into 2022.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yes. Sure. We are seeing rate that is consistent with what we're hearing from our competitors and brokers in the lines we participated, right? We're sort of solidly there or right in the middle of the pack, in some instances, we may be a little above a little bit low. But there are areas where -- it's certainly not as strong as it was in the previous year, but it's still good and it's still above what we've experienced for lost cost increases and what we are hearing others talk about in terms of the increases for a lost cost. So the fact that inflation is on the horizon. The competitive environment is still pretty strong. I think, we're going to continue to see rates moving up in certain lines are going to drive it heavily, but it'll -- there's -- we're not looking at or expecting an abatement right now.

## Q - Alex Blostein {BIO 15412167 <GO>}

Okay, great. Appreciate the answers.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Great. Thank you.

## Operator

(Operator Instructions) We have another question from Casey Alexander from Compass Point Research. Casey, your line is now open.

## Q - Casey Alexander {BIO 1521572 <GO>}

Hi. Good morning. Good morning and thank you for taking my questions.

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## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah, good morning, Casey.

## Q - Casey Alexander {BIO 1521572 <GO>}

Yeah. My first question kind of relates to clearly, successfully you took down the property and or wind exposure and it resulted in a much better outcome this quarter. Are you kind of satisfied where you are? Or is it the sort of underwriting strategy and structural strategy to take that wind exposure down, even more, when we get to the catastrophe season in 2022?

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah, really good question. We are both satisfied and continuing to move forward, right, to answer it very specifically. So we had anticipated that we would reduce the exposures over the course of the year and over the course of a year and a half and we managed to get there faster than we hope partly just through driving ourselves out of some of these lines.

And so, we're not surprised where we ended up based on what we talked about in June, but the actions I just talked about earlier today, including things like not going forward in the North American binder business, not writing DNF book for U.S. lines out of Syndicate 1200, the sale of the contract finding book and a continued reduction in our property exposure across the board.

What's happening is we're focusing on what we're good at and we're really good at casualty lines. And so we're putting all our resources there. And so, the expectation is that there would be a continuation of exposure reduction. What that means to the net, really depends on what reinsurance program we can buy going forward. But it's -- we are happy with the direction we're going in and we're continuing to work on it.

## Q - Casey Alexander {BIO 1521572 <GO>}

Okay. Got it. Thank you. Secondly, I hate to get too far a field, but we're getting near the end of 2021. So from a modeling perspective, we, unfortunately, have to start thinking about 2023. So would you expect the downward trend in the expense ratio to continue in 2023 and would that come primarily from expected earned premium growth or from continued expense actions?

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

So we tried to give some color on the expenses for so far, right. And I think the key one is that we've reduced the overall headcount of the organization by 16%. And what we've said before was that, look, this is going to -- as we get out of different things and places, we need less of the infrastructure to support, right? Or we have winds that are not performing well.

So that will continue as we continue to take actions that move us out of some of the things that are still underway or they get finalized. So there's an element of that. But at the same time, we're putting a lot of resource into growing the businesses that make a lot of sense. So on the headcount side, I think we've really done a lot and will continue to manage that well.

Relative to outside services, we -- because of the consolidation of the organization, we were able to get rid of multiple contracts or things that were duplicative and that had significant savings. And then, we'll have some continued effort on the real estate side as we move forward and continue to work in the post-pandemic environment. So, we'll continue to do that.

We're not just going to sit back and hope it all happens through earned premium growth. There will be an impact from that, but the targets of eliminating things that are unprofitable, redundant, or unnecessary will absolutely continue to be a cultural hallmark. And I think it bodes well for us as we translate that into some of the real-life experiences that were -- everyone's dealing with the great resignation and with some of the employment inflation that's going on. So I think all of those things factor into it, and with the mix of business we're going to see an uptick most likely in our acquisition costs because of the lines we got out of and that will have an impact to. But again, it's something we'll watch very closely and stay after.

## Q - Casey Alexander {BIO 1521572 <GO>}

Okay. I have two more questions for you. And I think these are questions that are confronting a lot of organizations these days. My first question is, how do you have to manage differently in order to create a culture in an environment where a lot of your employees are not on site? I'll bring that first question out. I mean, it's just a difficult issue. I'm curious what your thoughts are.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah, it's a difficult and great issue to talk about. So there's two pieces to this. For the folks who have been around a while and work together, it's really not that hard. It's -- people go through personal issues at times, but it's -- for those of us who have worked closely together for a while, it's not that difficult, but we have a lot of new employees, right. And someone -- we've got people who've joined and never met anybody or we've got people who have joined and had limited interaction.

So, we're taking an approach based on businesses or regions of trying to find a way to connect people, whether it's through Zoom meetings, whether it's through some kind of fun event that people can do -- or whether it's actually getting together if that's possible and all three of those things have happened.

It's imperfect, but we're looking to what others are doing, what outside resources are there and there's a lot of communication going on. So, the business is going in the right direction, but it's something that we watch and work on every day. The re-emergence of the off-site pot luck. I think is where we're going to end. There are some pretty creative stuff people are doing.

## Q - Casey Alexander {BIO 1521572 <GO>}

Here is my last question. I think that investors really appreciate the strategic streamlining and the much tighter focus of the business effort, and whatever you can do to continue that and even tight-knit further, I think investors really like it but is there a piece that's missing, is there something that you would add here that you don't have that you think could be highly accretive or strategically important. And I think it would be helpful to communicate that just so that it didn't catch investors by surprise and feel like a strategic change.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Okay. No, that's a good point, that's while taking. Let me just start to answer that question by saying that, the feel of the business and the leaders that are left running what we have is better than I've ever seen, right. And on the international side, we've got people that are clear on what their direction is, and they're excited about it, and they know what lanes are in, and they're the ones who have been doing the business, that's been the underlying piece, that's been successful or they remediated it. So they feel good.

On the U.S. side, our last operating review. I have never been to one that was as good, focused, solid with opportunities, optimism happy about where we are in the marketplace and how it's working with our technology. So I walked away from that meeting feeling great and that translates into where our U.S. specialty care is. So there's some number of specialty lines we are not in.

And I have a group of executives dedicated to research on some lines that some of us have hands-on experience at multiple companies and know the market, and it's getting to the point in some of these areas where we can find people with the right fit culturally, who understand what we're about from an underwriting standpoint and exposure standpoint and have the right market contacts. And so you may see in the future us entering a few areas that we haven't been in or haven't been in for a while.

## Q - Casey Alexander {BIO 1521572 <GO>}

All right. Well, I'm way over my quota for asking questions. So, I'll stop there. But thank you for taking my questions. I appreciate.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah. We appreciate your interest. Thanks.

## Operator

Thank you, Casey. Our next question comes from Ron Bobman from Capital Returns. Ron, your line is now open.

## Q - Ronald Bobman {BIO 17308423 <GO>}

Hi. Thanks, and good morning.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Hey. Good morning, Ron.

## Q - Ronald Bobman {BIO 17308423 <GO>}

I have a question about, hi, you gave us I think again sort of specificity on the expense ratio estimate for next year '22, and I recognized an estimate or guidance for a loss ratio is far more complicated, particularly with the mix changes. And of course, sort of the changing loss environment, which no one ever knows. But how long are trying to maybe you plan on giving us greater specificity at some point between now and the start of next year.

So maybe you could sort of let us know, maybe is there any intention to provide some loss ratio guidance for next year? But maybe separate and apart how long will these mix changes and the exits of certain geographies and or markets or lines or books of business be sort of a friction or a drag on the loss ratio and combined ratio. And I know you've laid out sort of what the underlying combines are on the go-forward mix. But that's really what I'm getting, can you help there, please.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yes. So we have traditionally not giving guidance, however, the last two years in the fourth quarter call we have given some sort of direction about where we thought the business would go on a combined basis. So while we haven't given the expense -- I'm sorry, the loss ratio, specifically, we'll probably going to do the same thing and since we have been pretty candid about what that expense ratio is. The loss ratio is pretty easy to define. So it's pretty mature right now to talk about what that would be, but I think your point about before the end of the year, we try to find the way, if we can do it that early, we will, if not, we will do it when we did -- when we do the fourth-quarter call.

But secondarily, and more importantly, your point about what I'll refer to as noise that is going to continue to come. We will do our best to quantify that and it was really hard last year, just given us the magnitude of different moving parts and you got to see what happened based on our nets being almost between 50 million and 60 million for CAT. It's the early part of the year and then dropping down to where they are now.

So in between, I know some people were frustrated because we couldn't tell them exactly what it was because it was moving. But I think the numbers that we have are a bit more discreet, will try to do our best about timelines on certain things. It's a good request and we'll work on that for you because that noise is complicated.

## Q - Ronald Bobman {BIO 17308423 <GO>}

Yeah, understood. Understood. Moving a field, the contribution in the quarter the underwriting contribution from a profit or loss. How Syndicate 1200 and how did Argo Bermuda contribute to either operating income or underwriting profits in the third quarter or year to date. Separately, not lump together as international.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah. We haven't broken that out. And I don't really want to set a precedent here, but on the international lines from an operating income, you can see on the release it was 7.4 million.

## Q - Ronald Bobman {BIO 17308423 <GO>}

So in the past, you've commented on 1200 underwriting profitability. How did that do in the quarter?

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Scott, do you have the final number there?

## A - Scott Kirk {BIO 18973074 <GO>}

Ron, could you run the question by me again? What we looking for exactly?

## Q - Ronald Bobman {BIO 17308423 <GO>}

Was 1200 from an underwriting perspective profitable in the quarter?

## A - Scott Kirk {BIO 18973074 <GO>}

Look, you can see that the contribution overall was not huge. So we're in and around a break-even or thereabouts.

## Q - Ronald Bobman {BIO 17308423 <GO>}

Okay. Thanks.

## A - Scott Kirk {BIO 18973074 <GO>}

I can't be any more specific than that, because I don't want to --

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

But as a reminder, we didn't announce we're getting out of North American binders and the D&F business, which was impacted by either. So those are -- I'm just pointing out facts, I'm not trying to make excuses for it, right. We're focusing on what's the underlying business going forward.

## Q - Ronald Bobman {BIO 17308423 <GO>}

Okay, I'm not sure. Okay, I can ask offline. Actually want, I fully understand my last comment. Thank you.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Okay, thanks.

FINAL

## Operator

Thank you, Ron. We have no further questions. So I hand back over to Kevin for any closing remarks.

## A - Kevin J. Rehnberg {BIO 3832713 <GO>}

Yeah, thank you to everyone for joining us today. I want to thank the employees for the great work they've been doing and get us where we're gone. And shareholders for supporting us, Regulators and rating agencies for your interest in us, and anyone else who's part of the family here, appreciate your interest and look forward to seeing you soon. Thanks.

## Operator

Thank you all for joining today's call. You may now disconnect.