

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

THE POLICE & FIRE RETIREMENT
SYSTEM CITY OF DETROIT, Individually
and on Behalf of All Others Similarly
Situated,

Plaintiff,

v.

ARGO GROUP INTERNATIONAL
HOLDINGS, LTD., THOMAS A.
BRADLEY, SCOTT KIRK, KEVIN J.
REHNBERG, MARK E. WATSON, III,
and JAY S. BULLOCK,

Defendants.

Civil Action No.

JURY TRIAL DEMANDED

**CLASS ACTION COMPLAINT FOR VIOLATION
OF THE FEDERAL SECURITIES LAWS**

Plaintiff the Police & Fire Retirement System City of Detroit (“Plaintiff”), individually and on behalf of all others similarly situated, by and through its attorneys, alleges the following upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters. Plaintiff’s information and belief is based upon, among other things, the investigation conducted by and through Plaintiff’s attorneys. This investigation included, among other things: (i) a review of regulatory filings made by Argo Group International Holdings, Ltd. (“Argo” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (ii) a review and analysis of the Defendant’s press releases and media reports; and (iii) a review of other publicly available information concerning Argo.

NATURE OF THE ACTION

1. This is a federal securities class action brought on behalf of investors that purchased or otherwise acquired Argo common stock during the period from February 13, 2018 through August 9, 2022 (the “Class Period”). Plaintiff seeks to recover damages caused by Defendant’s violation of sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Argo underwrites international specialty insurance products in the property and casualty markets. Specifically, the Company claims to target “niche” markets in order to develop a leadership position and generate “superior underwriting profits.” Argo operates under two reporting segments, a U.S. segment and an International segment. The segment operating in the U.S. was historically considered Argo’s “crown jewel.”

3. In the U.S., Argo purports to be a leader in the Excess and Surplus lines (“E&S”) focusing on risks that the standard market is unwilling or unable to underwrite. Due to the inherently risky nature of its specialty insurance business, investors valued the Company’s ability to properly reserve for losses. Therefore, any statements about Argo’s underwriting and reserve policies were highly material to investors.

4. During the Class Period, Defendants assured investors that they had closely monitored Argo’s policies and could set appropriate reserves. Defendants cultivated a narrative that Argo had a long history of successfully managing its reserves and the Company had a “prudent reserving philosophy.”

5. For example, Defendant Mark E. Watson, III, who was Argo’s CEO from 2000 until November 5, 2019, touted Argo’s long-term favorable reserve development during the Company’s earnings conference call for the fourth quarter of 2017 (“4Q17”), stating that “you can see that for the 13th year in a row we’ve had reserve redundancies on our balance sheet and I

believe that this is also true for the last 14 out of 15 years.” This statement was echoed throughout the Class Period in repeated assurances about the Company’s reserves.

6. However, this statement, and other similar ones, were false and misleading because: (1) Argo’s reserves were wholly inadequate and its underwriting standards were not prudent as was represented; (ii) Argo had dramatically changed its underwriting policies on certain U.S. construction contracts as far back as 2018; and (iii) these policies were underwritten outside of the Company’s “core” business including in certain states and for certain exposures that were far riskier than investors understood and that the Company no longer would service moving forward.

7. Ultimately, the effects of the changes in policies, all of which were known to Defendants during the Class Period, led to massive and belatedly-disclosed adverse reserve developments.

8. Between February 2022, when Argo announce that its results for the fourth quarter of 2021 would be negatively impacted by \$130 to \$140 million worth of adverse prior year reserve development and non-operating charges, and August 2022, when Defendants announced further bad news regarding the Company’s U.S. casualty reserves, Argo’s share price declined precipitously, losing more than 60% in value to date in 2022.

9. As a result of Defendant’s wrongful acts, and the precipitous decline in the market value of the Company’s securities, the class of investors Plaintiff seeks to represent has suffered significant losses and damages.

JURISDICTION AND VENUE

10. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)).

11. Pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act, this Court has jurisdiction over the subject matter of this action.

12. Pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b), venue is proper in the Judicial District. Defendants conduct business in this Judicial District, and a significant portion of Defendants' actions took place within this Judicial District

13. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

14. Plaintiff provides retirement allowances and death benefits for police and firemen and their beneficiaries through a Defined Benefit Plan and Defined Contribution Plan. Plaintiff acquired Argo securities at artificially inflated prices during the Class Period and was damaged as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

15. Defendant Argo is a Bermuda-based international underwriter of specialty insurance product in the property and casualty market. Argo's Class A common stock trades in an efficient market on the NYSE ("NYSE") under the trading symbol "ARGO".

16. Defendant Thomas A. Bradley ("Bradley") served as Argo's interim Chief Executive Officer from March 7, 2022 until June 23, 2022 when he was officially appointed Argo's Chief Executive Officer. Bradley also has served as Argo's Chairman of the board of directors since February 18, 2020. In his position as Interim CEO and CEO, Defendant Bradley signed Argo's quarterly and other periodic filings with the SEC.

17. Defendant Scott Kirk (“Kirk”) has served as Argo’s Chief Financial Officer since March 1, 2021. In his position as CFO, Defendant Kirk signed Argo’s quarterly and other periodic filings with the SEC, including the form 8-Ks that appended quarterly earnings press releases.

18. Defendant Kevin J. Rehnberg (“Rehnberg”) was Argo’s former Chief Executive Officer from February 18, 2020 until March 7, 2022 when he took a medical leave of absence from the Company. Rehnberg officially resigned as Argo’s President, Chief Executive Officer, and member of the board of directors as of June 23, 2022. In his position as CEO, Defendant Rehnberg signed Argo’s quarterly and other periodic filings with the SEC.

19. Defendant Mark E. Watson, III (“Watson”) was Argo’s former Chief Executive Officer from 2000 until November 5, 2019. Watson retired from his position as Argo’s Chief Executive Officer after Argo admitted that it had not properly disclosed perks totaling more than \$3 million that had been collected by Watson in violation of SEC rules. Watson resigned from the Argo board of directors as of December 20, 2019. In his position as CEO, Defendant Watson signed Argo’s quarterly and other periodic filings with the SEC.

20. Defendant Jay S. Bullock (“Bullock”) was Argo’s former Chief Financial Officer from May, 5 2008 until March 1, 2021.

21. Defendants Bradley, Kirk, Rehnberg, Watson, and Bullock are sometimes referred to herein as the “Individual Defendants.”

22. Argo and the Individual Defendants are collectively referred to herein as “Defendants.”

SUBSTANTIVE ALLEGATIONS

Background

23. Argo is an underwriter of international specialty insurance products in the property and casualty market. Argo claims to have succeeded in insuring risk that is more complex or hard-to-price, offering life, marine and energy, professional liability, property, cyber, marine, construction and specialty insurance.

24. The Company has two reporting segments, a U.S. segment and an International segment. Historically, the U.S. segment was considered to be Argo's "crown jewel." In the U.S. Argo holds itself out as a leader in the E&S lines focusing on risks that the standard market is unwilling or unable to underwrite. Given the inherently risky nature of Argo's dealings with the specialty insurance business, especially within E&S, investors considered the Company's ability to properly reserve for losses to be critical.

Defendant's Materially False and Misleading Statements

25. The Class Period begins on February 13, 2018, when Argo announced the Company's fourth quarter ("4Q17") and full year financial results for 2017. In the Company's earnings release and call, Defendants began to cultivate a narrative that Argo had a long history of successfully managing its reserves and that the Company had a "prudent reserving philosophy." Specifically, during the Company's 4Q17 earnings conference call, then CEO Defendant Watson touted Argo's long-term favorable reserve development, noting that "you can see that for the 13th year in a row we've had reserve redundancies on our balance sheet and I believe that this is also true for the last 14 out of 15 years."

26. On May 3, 2018, Argo released its results for the first quarter of 2018 ("1Q18"). Defendant Watson was quoted in the earnings release claiming that Argo was able to weather the

“increasingly volatile investment environment” because of Argo’s “continuing strategy of disciplined, differentiated underwriting....” Net income reserve development was reported at \$2 million, \$1 million in the U.S. business, compared with a total adverse development of \$6.8 million in the first quarter of 2017.

27. On June 11, 2018, Argo announced that it was establishing Argo Construction as a standalone business in order to “enable it to evolve more quickly and grow at an accelerated pace.” Defendant Watson stated in that release: “Our construction business continues to prosper as a strong, growing and profitable portfolio exceeding \$150 million in premium. This group has demonstrated success primarily in the northeast and is ready to expand across the United States.”

28. On August 6, 2018, Argo reported financial results for the three and six months ended June 30, 2018. Argo again reported net favorable prior year reserve developments for both quarters, at \$2.4 million for the three months ended June 30, 2018 and \$4.4 million for the six months ended June 30, 2018.

29. On November 5, 2018, Argo announced its results for the third quarter of 2018 (“3Q18”). Despite facing heavy catastrophe losses on a global basis, Argo continued to report positive prior-year reserve developments in its U.S. operations which it attributed to its Liability and Specialty lines of business.

30. Defendant Watson continued expressing his confidence in the Company’s reserve development during a question and answer session during the 3Q18 earnings conference call, stating that “[Argo’s] reserves have been developing favorably for the last 13 years, and [that] there’s always a bit of lumpiness from 1 quarter to another.”

31. On February 11, 2019, Argo announced financial results for the three months and year ended December 31, 2018. The Company again reported favorable prior year reserve development for both the fourth quarter and the year.

32. During the Company's earnings conference call for the fourth quarter of 2018 ("4Q18"), Defendant Bullock stated that the Company's "development on prior year reserves was favorable by \$13.9 million compared to a favorable development of \$12.6 million in the fourth quarter of 2017. Favorable development for the year was \$18 million compared to \$8.2 million in 2017. Both the U.S. and International segments contributed to that result."

33. In the question and answer session of the same 4Q18 conference call, Defendant Watson continued touting Argo's reserve development stating that "if you look at our prior reserve development over the last 14 years, it's been positive, and we're very proud of that. And we're very focused on making sure that continues."

34. On April 29, 2019, Argo announced its financial results for the first quarter of 2019. Argo again reported net favorable prior-year reserve developments, including \$4 million in the U.S. business related primarily to the Liability and Specialty lines.

35. On July 26, 2019, Argo announced that results for the second quarter of 2019 would be adversely affected by loss items primarily in its International operations. Defendant Watson downplayed the losses stating: "The losses we reported today reflect specialty insurance businesses that are subject to occasional volatility related to a number of larger losses that we don't believe are an indication of a longer-term trend." Argo ultimately released its second quarter results on August 5, 2019 noting that Argo had delivered "strong shareholder value despite some isolated claims volatility..." Watson thus explained away a net unfavorable prior year reserve development of \$22.3 million as "occasional volatility" rather than a longer-term trend.

36. On October 29, 2018, Argo announced that its results for the third quarter of 2019 would be adversely affected by loss items, again primarily stemming from its International Operations. Defendant Watson assured investors that “[d]espite these challenges, we continue experiencing strong results in our U.S. Operations, and we are seeing rate improvement across several key lines of businesses both in the U.S. as well as in our International Operations.” When the third quarter results were announced, on November 5, 2018, a net-unfavorable prior-year reserve development was offset by a positive development in the U.S. business of \$10.7 million, consistent with the third quarter of the prior year.

37. Argo continued to push the narrative of prudent underwriting and adequate reserves particularly in regards to the performance of its U.S. operations. On the November 7, 2019 earnings conference call, Defendant Rehnberg distinguished the Company’s U.S. Operations:

Looking at our third quarter results, we continue to see strong performance for our U.S. operations in contrast to clearly unacceptable results from our international operations. The U.S. posted its highest ever gross written premium figure for the quarter, continuing to build on the momentum of the first half of 2019, exceeding the record set in 2018. These results reflected nearly 10 years of intense focus by the U.S. team to refine underwriting, claims and operations. Given consistently strong impact of these actions, we’ve started to implement similar best practices company wide.

38. On February 11, 2019, Argo reported results for the fourth quarter and full year 2018. Net favorable prior-year reserve development was \$13.9 million for the fourth quarter, \$6 million of which was generated by U.S. operations. During the 4Q18 earnings conference call, Defendants continued to mislead investors with statements regarding the strength of Argo’s reserves. During this call, Defendant Rehnberg stated “[t]he pricing environment continues to strengthen, core product volumes are strong, and many business units have made a very positive turn into 2020. But at the same time, we had substantial reserve strengthening in the quarter and full year...” On the same call, Defendant Bullock stated “[w]e conduct reserve reviews of all

ongoing businesses each quarter. Our reserving process has not changed and includes a feedback loop between reserving, underwriting, claims and reinsurance operations that enhances our ability to react quickly to the findings of the reserve reviews.”

39. Throughout 2019, Argo responded to the comments of Voce Capital, one of its shareholders, regarding excessive spending, including personal use of a corporate jet and other extravagant spending by corporate executives, including Defendant Watson. Argo consistently characterized these assertions as “falsehoods,” including in investor presentations and press releases at various points during the year.

40. On April 29, 2019, Argo announced results for the first quarter of 2019. Net favorable prior-year reserve development was \$2.5 million for the quarter.

41. On July 26, 2019, Argo and Defendant Watson again downplayed negative results as resulting from “occasional volatility” and represented that they were not an indication of a “longer-term trend.” In the August 5, 2019 earnings release, Defendant Watson again described the claims volatility as “isolated,” with negative international results offset by positive results in U.S. Operations.

42. On October 8, 2019, Argo announced that its independent directors would be conducting a review of compensation and other matters after having received a subpoena from the SEC seeking documents regarding Company perquisites. This investigation ultimately led to the resignation of Defendant Watson and the payment of significant sums to the SEC from both Defendant Watson and Argo itself.

43. On October 29, 2019, Argo again announced that its quarterly results would be adversely affected by several loss items related to its International Operations. Defendant Watson assured investors that all was well with U.S. Operations: “Despite these challenges, we continue

experiencing strong results in our U.S. Operations, and we are seeing rate improvement across several key lines of business both in the U.S. as well as in our International Operations.”

44. Just three days later, on November 2, 2019, Argo issued a press release announcing the “retirement” of Defendant Watson, effective immediately. Defendant Rehnberg was named as Interim Chief Executive Officer. The Argo Board thanked Watson for his 20 years of service and leadership, despite the fact that his “retirement” was precipitated by the SEC investigation into Argo’s pay practices and the findings of its own internal investigation that Argo had failed to disclose over \$3 million in perks to Defendant Watson, including such things as tickets to the Met Gala. The SEC ultimately announced that its own investigation had shown more than \$5 million in perks to Defendant Watson over a 5-year period, on top of over \$10 million per year in cash and stock compensation.

45. On November 6, 2019, Argo announced financial results for the third quarter ended September 30, 2019. Acting CEO Defendant Rehnberg downplayed disappointing results: “Across the company, we are growing in profitable areas, remediating challenged lines, and taking steps to control our loss and expense ratios.” In the first quarterly announcement since Defendant Watson’s “retirement,” net unfavorable reserve development was suddenly \$41.8 million, all of which was attributable to International Operations.

46. On December 12, 2019, Argo provided an update to shareholders regarding its “Board refreshment process.” Argo announced that five Board members would retire and that the Board would be revising its executive compensation program in the wake of Defendant Watson’s departure. Less than one month later, Argo announced a cooperation agreement with Voce Capital whose criticisms Argo had previously discounted and denied.

47. On February 12, 2020, Argo announced disappointing results but again assured investors that it had taken appropriate actions in response: “The industry is experiencing rising claims severity in several lines of business. We have taken appropriate action to adjust our current and prior accident year loss ratios in response to these conditions and to specific information received in the quarter. We believe the actions taken strengthen our balance sheet and position us for a more profitable future.” In the February 24, 2020 earnings release that followed, Argo announced that a review process of all of Argo’s operations had begun after the departure of Watson. Defendant Rehnberg indicated that the Company had a “strong foundation” focused primarily on “the most attractive specialty market – U.S. domiciled risks.”

48. On May 7, 2020, Argo announced financial results for the first quarter of 2020 (“1Q20”). Defendant Rehnberg stated: “We achieved strong premium growth and positive operating results in the first quarter, but we are still not satisfied with overall performance.” The 1Q20 results were presented in a new format without prior year reserve development broken out as a line item. Argo indicated that “[n]et reserve strengthening was reported in Argo’s U.S. Operations, although the overall level of reserve development was modest in the quarter.”

49. On May 8, 2020, during the Company’s 1Q20 earnings conference call, Defendant Rehnberg expressed his encouragement and confidence in Argo’s reserve development:

Reserve development for both our U.S. and International segments was modest in the quarter. We’re always going to have a mix of positive and negative movements in our reserves, but I’m encouraged by this overall result. Additionally, we employed an internationally recognized third-party actuarial firm to perform an in-depth review of our reserves across the company as of year-end 2019. I’m happy to share that their central estimate was in line with our carried reserve total at December 31, 2019. This is not an indication of any future performance, but it does give me more confidence following the actions we took last year.

50. On July 6, 2020, Argo issued a press release announcing an outside search for a new chief financial officer to succeed Defendant Bullock.

51. On August 3, 2020, Argo reported 2020 second quarter results (“2Q20”). Commenting on the quarter, Defendant Rehnberg stated as follows: “We are please to report the strongest quarterly underwriting income for the U.S. in Argo’s history....This demonstrates our shift to more positive underlying performance, particularly in our core U.S. specialty business that delivered an excellent quarter despite the broader economic challenges related to COVID-19...” For U.S. Operations, Argo reported a small new favorable prior-year reserve development of \$0.6 million.

52. Defendant Rehnberg continued this narrative on the 2Q20 earnings conference call stating that “[r]eserves were again stable with just \$1.8 million or 0.4 points of unfavorable development...We're very pleased that for the second quarter in a row, reserve movement has been modest. As we noted on our last call, we worked with a third-party actuarial firm to get an independent review of our reserve adequacy.... The results of this in-depth review, and what we've seen over the past 2 quarters, gives us comfort around our current reserve position.”

53. On October 21, 2020, Argo announced that results for the third quarter would be negatively affected by a number of events, including COVID-19, with losses split roughly evenly between U.S. and International Operations. Despite these negative developments, Defendant Rehnberg commented in the November 2, 2020 press release: “We are pleased with the improved underlying margins of our business during the quarter, as well as the actions taken to simplify operations and exit lines that are not aligned with our strategy... While the industry faced historic levels of catastrophe activity in the third quarter, we have continued to make progress on our strategic objectives.... This progress combined with continued gross written premium growth within profitable lines of business, improvement in pricing and a plan to reduce expenses demonstrates our firm commitment to continuing on a path toward increase shareholder value.”

54. During the November 3, 2020 earnings conference call, Defendant Rehnberg continued to tout the Company's performance in the U.S. stating: "We now have three quarters in a row during 2020 with very modest net development. Overall, we remain comfortable with our current reserve position."

55. On February 17, 2021, Argo announced results for the fourth quarter and year ended December 30, 2020. Despite announcing negative results due in part to COVID-19, Defendant Rehnberg assured investors that management was "encouraged by the improved underlying margins of our business during the quarter, as well as the actions taken to create a more focused and efficient company." Defendant Rehnberg added: "We expect a sustained positive growth trajectory and continued benefits from market conditions throughout 2021, with the capital to meet those opportunities."

56. In 2021, the Company announced a new CFO, Defendant Kirk. After beginning his employment on February 8, 2021, Defendant Kirk noted that reserve development "was negligible in the first quarter of 2021 and marks the fifth quarter in a row that net prior year reserve movements have been small."

57. In announcing second quarter results for 2021 ("2Q21") on August 2, 2021, Defendant Rehnberg continued to assure investors that the Company was headed in the right direction: "We believe the improvement in underwriting results this quarter is further evidence that the actions we have taken in the last two years are the right ones. This positive momentum is supported by our expense focus and positions us to take advantage of market opportunities and execute on our targeted growth strategy."

58. Further, during a question and answer session of the 2Q21 earnings conference call, Defendant Kirk touted Argo's robust reserving process:

I'll go back to the fact that we have a robust reserving process. Clearly, we look back at all of the trends that are there. I mean, yes, there are always going to be ups and downs across various lines and across various years, but the reality is that I think we remain very comfortable with our reserving position as it stands.

59. On November 2, 2021, Argo announced results for the third quarter of 2021 (“3Q21”). Argo attributed improved net income to “continued strong growth in the ongoing business and noted that “market conditions remain favorable for continued growth.” Defendant Rehnberg commented: “Argo continues to pursue profitable growth, improve underwriting margins, reduce volatility and maintain disciplined expense management... The successful implementation of our strategy is evidenced in our financial performance. As we continue to optimize our business mix, the underlying strength of our core lines of business is more clear.” Argo reported net unfavorable reserve development of \$6.2 million. Of that total, only \$0.2 million was attributable to its U.S. Operations.

Disclosure of the Truth

60. Less than three months after assuring investors of “continued strong growth in the ongoing business,” on February 8, 2022, Argo issued a press release announcing that its fourth quarter results for 2021 (“4Q21”) would be negatively impacted by ***\$130 to \$140 million*** worth of adverse prior year reserve development and non-operating charges. Specifically, the Company disclosed that:

Argo expects net adverse prior year reserve development to be in the range of \$130 million to \$140 million for the 2021 fourth quarter. Prior year adverse development was the result of the recently concluded fourth quarter 2021 reserve review. The largest reserve increases were related to construction defect claims within Argo’s U.S. Operations, in addition to reserve increases in the Run-off segment. The prior year reserve increase for construction defect primarily related to the 2017 and prior underwriting years in business lines that have either been significantly remediated or discontinued.

61. Argo announced additional non-operating charges of \$60 million to \$70 million resulting in part from Argo’s “ongoing strategic review.”

62. On this news, the price of the Company's common stock fell \$7.11 per share, or 13.7%, to close at \$44.76 per share on February 9, 2022. On February 10, the stock declined to \$42.82 per share, for a two-day drop of \$9.05 per share, or 17.5%, wiping out over \$315 million in market capitalization.

63. On February 22, 2022, Argo issued a press releasing discussing its 4Q21 and fiscal year 2021 financial results. Argo reported a 4Q21 net loss attributable to common shareholders of \$118.8 million or \$3.41 per diluted common share. Net adverse prior year reserve development for the fourth quarter came in at \$132.3 million. Argo noted that it had experienced net adverse prior year reserve development in both the U.S. Operations and Run-off Lines which was partially offset by favorable prior year reserve releases in International Operations.

64. The next day, February 23, 2022, Argo held an earnings conference call to discuss these results. After reviewing the Company's reserve process, Defendant Rehnberg stated that approximately \$77 million of the adverse prior year development was driven by construction defect claims within Argo's U.S. operations, contradicting what had been disclosed consistently throughout the Class Period. Defendant Rehnberg disclosed to the investors for the first time that most of the reserve increase was associated with policies written outside Argo's "core" business and that the Company had started strengthening underwriting guidelines in this area as early as the end of 2017, including restricting policies in certain states:

A large portion of the reserve increase for a construction defect was associated with businesses that have either been discontinued, including contract binding in October of 2021, or have been significantly remediated. The remediated portion was previously underwritten by our casualty business. We established Argo Construction from the standalone business unit in June of 2018 to focus on the construction market with a greater depth of talent and knowledge. Most of the claims associated with contract binding and casualty were written outside of the core construction business. Over 95% of the construction defect prior year, adverse development in 2021, fourth quarter applied to 2017 and prior years.

We started taking underwriting action on construction defects at the end of 2017, including strengthening underwriting guidelines and placing significant restrictions on certain states and exposures. Much of the adverse reserve development was a result of analyses performed in the fourth quarter, which included, among other things, new and/or updated information received relating to construction defect claims.

65. During the question and answer portion of the call, an analyst from Raymond James called out Defendant Rehnberg's attempt to downplay the reserve charge by highlighting improvements in Argo's International Operations:

The progress that you've made in international ... is to be applauded [but] we can't really use that to sugar coat the surprise reserve charge ... in the U.S. business which had been thought of traditionally as one of the crown jewels of the Company.

And then between November and then February this year, all of a sudden, you uncover this ... black hole of this reserve charge that you've announced. I guess my question is, what happened? ... And then secondly, how can we gain confidence? That we -- it feels like we might have to wait until the fourth quarter of 2022 before we -- when you get through another annual reserve review before we have any visibility on whether things have stabilized or not.

66. In response to the analyst, Defendant Rehnberg stated:

And we started some underwriting actions in the end of 2017 when a task force was convened on CD [construction defect], which had previously been underwritten in our liability area, and which includes construction and in our contract lending line of business. So we broke out construction as a separate business and started underwriting more specifically on this business and changed the underwriting guidelines around what had happened. So the book we have today is not as exposed. It's got different -- underwriting terms and conditions, different approaches to it. So while I understand there's a concern about it, we have been working on the underwriting side of this for the past five years. And we mentioned in the recent years, it has been performing according to expectations.

67. On August 8, 2022, Argo announced that it had entered into a Loss Portfolio Transfer ("LPT") agreement with a wholly owned subsidiary of Enstar Group Limited ("Enstar") covering a majority of the company's U.S. casualty insurance reserves. Enstar's subsidiary agreed to provide ground up cover of \$746 million of reserves, and an additional \$275 million of cover in excess of \$821 million, up to a policy limit of \$1.1 billion. Argo, however, will retain a loss

corridor of \$75 million up to \$821 million. Furthermore, Argo announced that it anticipated recognizing an after-tax charge of approximately \$100 million in connection with the transaction in the third quarter of 2022.

68. The next day, on August 9, 2022, Argo held its second quarter 2022 earnings conference call. During this call, Defendant Bradley commented on the Enstar Transaction:

We continue to explore a wide range of potential options to maximize shareholder value and take advantage of opportunities in the market. Consistent with that objective, we are entering into a loss portfolio transfer with Enstar, which covers the majority of our US casualty insurance reserves, including construction relating to accident years 2011 to 2019.

Argo was thus reinsuring direct U.S. casualty insurance portfolios, including construction, having consistently represented that reserves were adequate and that its U.S. Operations were strong throughout the Class Period.

69. An analyst from Dowling & Partners asked about the anticipated \$100 million charge and “whether it “assume[s] then that you’re booking \$75 million loss corridor up to the attachment point of the ADC with Enstar?” Defendant Kirk responded: “No, that does not assume we’re booking the \$75 million.”

70. On August 10, 2022, based on concerns with the LPT agreement with Enstar, an analyst at Raymond James downgraded Argo to Market Perform from Outperform. The analyst noted: “there are now additional uncertainties associated with the \$75M loss corridor retention which could act as overhang on the outlook for the next 12-24 months.”

71. On this news, the price of the Company’s common stock declined \$9.12 per share, or 28.3%, from an August 8, 2022 closing price of \$32.22 to close at \$23.10 per share on August 10, 2022. That drop caused the Company’s market capitalization to fall another \$320 million. Argo’s stock price is down more than 60% this year, trading near its 52-week low.

72. Throughout the Class Period, Defendants made material misstatements and failed to disclose material facts regarding Argo's reserves and changes within its U.S. Operations. Defendants repeatedly touted their experience when it came to successfully managing reserves, stating that reserves were assessed quarterly and touting a "robust reserving process." When announcing any unfavorable reserve development in its International segment during the Class Period, Defendants still assured investors that, after that adjustment, they were comfortable with their position. Defendants assured investors that "there should be a renewed confidence in Argo's outlook," especially with respect to its core U.S. Operations.

73. With respect to Argo Construction specifically, Defendants noted that "it continues to exceed our expectations" without disclosing, as was belatedly revealed in February 2022 that the Company had been "working on the underwriting side of this for the past five years." It was only when Defendants could not hide the inadequate reserves that Argo abruptly announced a massive charge.

74. At no point during the Class period did Defendants disclose anything about construction defect claims or that it had been "working on the underwriting side" of the construction business for *five years*. Further, a charge of this magnitude, coupled with a massive transfer to Enstar, indicates that Defendants were hiding the problems in the construction defect business for several years.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

75. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Argo securities during the Class Period from February 13, 2018 through August 9, 2022 and were damaged upon thereby (the "Class"). Excluded from the Class are Defendants herein,

the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

76. The members of the class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Argo securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Argo or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

77. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Argo;
- whether the Individual Defendants caused Argo to make false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;

- whether the Defendants' conduct complained of herein artificially inflated the prices of Argo securities during the Class Period; and
- to what extent the members of the Class have sustained damages and what is the proper measure of damages.

78. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

79. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

80. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

LOSS CAUSATION

81. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

82. During the Class Period, Plaintiff and the Class purchased Argo common stock at artificially inflated prices and were damaged thereby. The price of the Company's common stock significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

COUNT I

(Violations of Section 10(b) of the Exchange Act Against All Defendants)

83. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

84. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and did (i) deceive the investing public, including plaintiffs and other Class members, as alleged herein; and (ii) cause Plaintiff and other Class members to purchase Argo securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

85. Defendants (i) knowingly or recklessly engaged in acts transactions, practices and courses of business in order to defraud Plaintiff and the class members; (ii) made various untrue statements of material facts; and (iii) engaged in devices, schemes and artifices to defraud in connection with the purchase and sale of securities. All Defendants named are sued either as primary participants in the illegal conduct charged herein or as controlling persons as alleged below.

86. Each of the Defendants engaged and participated in the continuous conduct to conceal material information about Argo's ability to properly reserve for losses as specified herein. Defendants directly or indirectly issued quarterly and annual reports, SEC filings, press releases and other statements and documents, including statements made to securities analysts and the media that influenced the market for Argo's securities. Such statements were materially false and misleading in that they concealed the truth about Argo's finances and business prospects.

87. Defendants had actual knowledge of the materially false and misleading statements or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such

facts, even though such facts were available to them. Defendants committed said acts willfully or with reckless disregard for the truth. Additionally, each Defendant knew or recklessly disregarded the truth that material facts were being misrepresented as detailed above.

88. Evidence that Defendants acted knowingly or with reckless disregard for the truth lies within Defendants' knowledge and control. As the senior managers and/or directors of Argo, each of the Defendants (i) had control over the Company's public statements and filings; (ii) were privy to the creation and reporting of the Company's public filings; and (iii) had knowledge of the Company's dissemination of false information to investors, which they knew and/or recklessly disregarded was materially false.

89. The Individual Defendants are both directly and indirectly liable for the wrongs complained of herein. As a result of the dissemination of the false and misleading reports, filings, and releases, the market price of Argo securities was artificially inflated during the Class Period. Unbeknownst to them, Plaintiff and other members of the Class purchased or acquired securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

90. During the Class Period, Plaintiff and other members of the Class were ignorant of the falsity of Argo's misrepresentations. Had they known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid.

91. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act.

92. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

COUNT II

(Violations of Section 20(a) of the Exchange Act Against the Individual Defendants)

93. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

94. The Individual Defendants were controlling persons of Argo within the meaning of Section 20(a) of the Exchange Act as alleged herein. Due to their senior positions, each of the Defendants knew the adverse non-public information about Argo's misstatements about its reserves and false financial statements.

95. As officers and/or directors or a publicly owned company, The Individual Defendants had a duty to disseminate accurate and truthful information with respect to Argo's financial condition and results or operations. Defendants also had a duty to correct any materially false or misleading public statements issued by Argo.

96. During the Class Period, the Individual Defendants exercised their power and authority to cause Argo to engage in the wrongful acts complained of herein. In this capacity, they participated in unlawful conduct alleged which artificially inflated the market price of Argo securities.

97. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Argo.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that this action is proper under Rule 23 of the Federal Rules of Civil Procedure;

- B. Requiring Defendants to pay compensatory damages to Plaintiff and the Class for all damages caused by Defendants' wrongdoing;
- C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Such other and further relief as the Court may deem proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: October 20, 2022