Argo Group International Holdings, Ltd.
NYSE: ARGO
FQ3 2021 Earnings Call Transcripts
Wednesday, November 03, 2021 2:00 PM GMT
S&P Global Market Intelligence Estimates

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Currency: USD
Consensus as of Nov-03-2021 6:20 PM GMT

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**Stock Price [USD] vs. Volume [mm] with earnings surprise annotations**

**- EPS NORMALIZED -**

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Call Participants

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Matthew John Carletti  
JMP Securities LLC, Research Division

Ronald David Bobman  
Capital Returns Management, LLC
Presentation

Kevin James Rehnberg  
President, CEO & Director  

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's 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 as 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 reduce limits across multiple areas of our portfolio. In our U.S. excess casualty portfolio during the first 9 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 portfolio average limits have continued to decrease as well. And over the past 2 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 a leading U.S.-focused specialty insurer. This quarter, we executed on several transactions to exit underperforming or nonstrategic businesses,
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 3 main platforms, our U.S. operations, which represent 2/3 of our business, on a go-
forward basis, followed by syndicate 1200 and Bermuda Insurance. U.S. specialty risks are regularly placed in the Lloyd's
market and Bermuda. In these platforms, we are focused on U.S. 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 of
generating underwriting profits in 9 of the last 10 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 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 targeted 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 3 years and A 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 2021 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 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, 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 in 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. In the ongoing businesses, excluding the increased share of Syndicate 1200s
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 1/2 of that growth.

Pricing continued to be strong in the quarter with rate increases averaging 11% in international and continue to remain
broad-based. Over the past 3 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 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 the hybrid and flexible work environment. Including the
divested businesses, our headcount 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 a 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  
CFO, Principal Financial Officer & Principal Accounting Officer

Yes. Thank you, Kevin, and good morning, everybody. We reported strong earnings during the third quarter of 2021, driven by reduced catastrophe losses, an improved combined ratio and a strong contribution from alternative investments. A 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 sales and exits, premiums are up approximately 17% during the third quarter of 2021.

Now while reported gross written premiums decreased, net written and net earned premium both grew at approximately 9% in the 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 1200s capacity. We expect net premium growth to continue to outpace the change in gross written premium for the balance of this year.

In the third quarter on a year-to-date basis, our retention ratio, calculated as net written premiums divided by gross written premiums increased 7 points to 67% and 61%, respectively. This is primarily a result of the increased retention in our international segment, resulting mainly from the sale of area, where we retained very little of the risk on a net basis and our increased participation in 1200's results. The U.S. segment also contributed to the retention increased due to shifts in business mix towards focused lines of business where we retain more of the risk not.

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 loss losses and improved ex-cat current accident year loss ratio. Our cat losses totaled $27 million or just under 6 points of the combined ratio in the third quarter of 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 in 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 cat 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 a $7 million onetime 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 a 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 re-underwriting actions.

Turning now to expenses. Our expense ratio was 36.3% in the third quarter of 2021 and was flat compared to the prior year 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've 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 of nonoperating expenses, mainly related to the reduction in our real estate footprint, and we expect the benefits to begin to materialize in the expense ratio in 2022.

Turning now to our segment results. In the U.S., growth written premiums were up 3.7% compared with the third quarter of 2020. The growth in the period was driven by our growth in Invest businesses that include Argo Pro, casualty, construction, Environmental, Inland Marine and Surety.

Now while 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 U.S., our retention ratio was 72% in the quarter and 68% on a year-to-date basis.
The U.S. segment reported underwriting income of $15 million and a combined ratio of 95.4% in the third quarter of 2021. The loss ratio decreased 6 points to 63%, mainly driven by a reduction in catastrophe losses. The expense ratio of 32.4% decreased 50 basis points from the prior year quarter and was driven by an improvement in both the acquisition ratio and the general and administrative expense ratio. Improvement in the acquisition ratio was primarily related to changes in business mix and the improvement in the G&A ratio was due to the increased 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 of 2021 due to the previously announced business exits with the largest decrease in property lines. This was partially offset by higher rates and increased participation in 1200s 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 reinsurance, rate increases achieved over the last several quarters and our increased share of the Syndicate results, partially 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 of 2021. Our reinstatement premiums were $700,000 in the third quarter of 2020.

International segment reported an underwriting loss of just under $5 million in the third quarter of 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 was primarily driven by the reduced catastrophe losses and continued remediation efforts and rate increases owning to the results.

Current accident year ex-cat loss ratio was 51.6%, which increased 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 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 year quarter, driven by the reinstatement premiums associated with the cat losses in the quarter.

Moving on to 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 recognize that the outperformance of alternative investments for the last quarter -- last 5 quarters may not continue for an extended period and could revert back to long-term historical norms.

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 de-risking actions over the last 2 years as well as the lower overall yield 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.

And finally, let me talk about capital. On our second quarter call, we mentioned that our required fund with Lloyd's position was in the range of GBP 300 million to GBP 350 million at the end of 2020. This figure has decreased to around GBP 290 million -- let me say that again. This figure has decreased to around GBP 290 million at the end of the third quarter due to a combination of improved results in our international segment and reduced funding requirements for Syndicate 1910. A little under half of this is provided by Argo Re.

And we continually monitor our capital levels, determining whether to put it to work in the attractive opportunities we see in the marketplace and against what we need from a 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.
Question and Answer

Operator

[Operator Instructions] Our first question comes from Matt Carletti from JMP Group.

Matthew John Carletti
JMP Securities LLC, Research Division

Kevin, I just had a high-level question for you. Back in March, I guess, at the 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. While 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. 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 Argo is going to look like going forward at this point?

Kevin James Rehnberg
President, CEO & Director

Yes, the -- at Investor Day, this is a good time to update. And it'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 3 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 we remain in is in no different position than the others have been or since I was running the U.S., 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, we'll 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.

Matthew John Carletti
JMP Securities LLC, Research Division

Yes. 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 Syndicate 1200 is -- you consider an ongoing business?

Kevin James Rehnberg
President, CEO & Director

Absolutely. Yes. I mean, that's why -- look, if you go to the supplement and look at Page 5 on the pro formas, their -- 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 them, right? 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 to lines 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.

Operator

Our next question is from Greg Peters from Raymond James.

Alex Bolton
This is Alex Bolton calling in for Greg Peters. Maybe just first, if you could provide a little more color around the reserve development, maybe the $7 million accounting adjustment?

**Kevin James Rehnberg**  
*President, CEO & Director*

Yes. 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?

**Scott Kirk**  
*CFO, Principal Financial Officer & Principal Accounting Officer*

Yes. It's Scott here. Look, that was a result of remediation efforts that have been undertaken through the first 9 months of the year. There's really nothing more to say other than that.

**Alex Bolton**

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

**Scott Kirk**  
*CFO, Principal Financial Officer & Principal Accounting Officer*

Yes. So they're not actually targets. Those are actual numbers, and that's why we put them out there. And the -- what we're intending to show is that it's on a trend upwards and will continue that way based on some reduction in 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.

**Alex Bolton**

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

**Scott Kirk**  
*CFO, Principal Financial Officer & Principal Accounting Officer*

Sure. We are seeing rate that is consistent with what we're hearing from our competitors and brokers in the lines we participate in, right? We're sort of solidly there or right in the middle of the pack. In some instances, we may be a little above or a little below. 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 loss cost increases and what we are hearing others talk about in terms of the increases for loss 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 and so it'll -- there's -- we're not looking at -- or expecting an abatement right now.

**Operator**

[Operator Instructions] We have another question from Casey Alexander from Compass Point Research.

**Casey Jay Alexander**  
*Compass Point Research & Trading, LLC, Research Division*

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?

**Kevin James Rehnberg**  
*President, CEO & Director*

Yes, really good question. We are -- I'm 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 or, over the course of 1.5 years. And we managed to get there faster than we hoped, partly just through driving ourselves out of some of these lines.
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 binders business, not writing the D&F 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'd 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.

Kevin James Rehnberg
President, CEO & Director

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 in places, we need less of the infrastructure to support it, right, or we have lines 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 we'll 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 a 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 we're -- 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 we -- 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, too. But again, it's something we'll watch very closely and stay after.

Kevin James Rehnberg
President, CEO & Director

Okay. I have 2 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 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 a difficult issue. I'm curious what your thoughts are.

Kevin James Rehnberg
President, CEO & Director

Yes, it's a difficult and great issue to talk about. So there's 2 pieces to this. For the folks who have been around a while and have worked 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, and someone -- we've got people who have 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 3 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.

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

The reemergence of the off-site pot luck, I think, is where we're going to end. And he's my last question --

Kevin James Rehnberg
President, CEO & Director

That's some pretty creative stuff people are doing.

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

Yes. Here's 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 tighten it 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.

Kevin James Rehnberg
President, CEO & Director

Okay. No, that's a good point, and it's well taken. 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 they're in, and they're the ones who have been doing the business. That's been the underlying piece that's been successful or they've 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, we're a U.S. specialty carrier. So there's some -- a 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.

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

All right. Well, I'm way over my quota for asking questions, so I'll stop there, but I appreciate it.

Kevin James Rehnberg
President, CEO & Director

Yes. We appreciate your interest.

Operator

Our next question comes from Ron Bobman from Capital Returns.

Ronald David Bobman
Capital Returns Management, LLC

You gave us, I think, again, sort of specificity on the expense ratio estimate for next year, '22. And I recognize 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 -- I'm 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 of business or books of business be sort of a friction or a drag on the loss ratio and that's the 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 at. Can you help there, please?
Kevin James Rehnberg  
*President, CEO & Director*

Yes. Yes. So we have traditionally not given guidance. However, the last 2 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're probably going to do the same thing. And since we've been pretty candid about what the expense ratio is, the loss ratio is pretty easy to define. So it's premature right now to talk about what that will be, but I think your point about before the end of the year is we'll try to find a way if we can. If we can do it that early, we will; if not, we'll do it when we do the fourth quarter call. But secondarily and more importantly, to 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 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 at 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 discrete and we'll try to do our best about time lines on certain things. It's a good request, and we'll work on that for you. Because that noise is complicated.

Ronald David Bobman  
*Capital Returns Management, LLC*

Yes. Understood. Moving afield. The contribution in the quarter, the underwriting contribution from a profit or loss, how did 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 lumped together as international?

Kevin James Rehnberg  
*President, CEO & Director*

Yes. We haven't broken that out. And I don't think we're going to set a precedent here. But on the international lines from an operating income, you can see in the release, it was $7.4 million, so.

Ronald David Bobman  
*Capital Returns Management, LLC*

In the past, you've commented on 1200s underwriting profitability, how did that do in the quarter?

Kevin James Rehnberg  
*President, CEO & Director*

Scott, do you have the final number there?

Scott Kirk  
*CFO, Principal Financial Officer & Principal Accounting Officer*

Ron, could you run the question by me again? Exactly what we're looking for exactly?

Ronald David Bobman  
*Capital Returns Management, LLC*

Was 1200 from an underwriting perspective, profitable in the quarter?

Scott Kirk  
*CFO, Principal Financial Officer & Principal Accounting Officer*

Look, you can see that the contribution overall was not huge. So we're in and around a breakeven or thereabouts. I can't be much more specific than that, because I don't want to be wrong.

Kevin James Rehnberg  
*President, CEO & Director*

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 Ida. So those are -- I'm just pointing out facts. I'm not trying to make excuses for it, right? We're focused on what's the underlying business going forward.

Ronald David Bobman
Capital Returns Management, LLC

Okay. I'm not sure -- okay. I can ask offline. I'm not sure I fully understand the last comment.

Operator

We have no further questions. So I will hand back over to Kevin for any closing remarks.

Kevin James Rehnberg
President, CEO & Director

Yes. Thank you to everyone for joining us today. I want to thank the employees for the great work they've been doing to get us where we're going, the 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.