



Mark E. Watson III

EDITORS' NOTE In 1999, Mark Watson joined the board of directors of Argo Group's predecessor company, Argonaut Group, and he has overseen the organization's development as a leading specialty underwriter since becoming its Chief Executive Officer in 2000. Earlier, Watson was one of two founding partners of Aquila Capital Partners. Before this, he was an Executive Vice President and member of the board of directors of Titan Holdings Inc. from 1992 until its acquisition in 1997 by USF&G Corporation. From 1989 to 1991, he was an Associate Attorney with Kroll & Tract and, earlier, was a legislative aid to Texas State Senator Donald Henderson. He graduated with a B.B.A. from Southern Methodist University and a J.D. from The University of Texas School of Law.

COMPANY BRIEF Argo Group International Holdings, Ltd. (www.argolimited.com) is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. Argo Group offers a full line of products and services designed to meet the unique coverage and claims handling needs of businesses in four primary segments: Excess & Surplus Lines, Commercial Specialty, International Specialty, and Syndicate 1200. Argo Group's insurance subsidiaries are A.M. Best-rated 'A' (Excellent) and Argo's U.S. insurance subsidiaries are Standard & Poor's-rated 'A-' (Strong).

Is true economic recovery taking place around the globe?

Most of the businesses we insure are small – a lot of start-ups. When the recession started, there were few new businesses because banks weren't lending money. New businesses are starting up again and we're insuring them. We can see that in our numbers daily.

We are based in downtown New York and we moved our office from Wall Street to SoHo when the crisis was at its worst and things were quiet. The streets are now bursting at the seams and not just with locals but with tourists as well. Rents are now higher downtown than on the Upper East Side.

Insuring New Businesses

An Interview with Mark E. Watson III,
President and Chief Executive Officer, Argo Group International Holdings, Ltd.

I travel all over the world and I see the same thing everywhere I go. Small businesses are getting going again. People are slowly becoming comfortable spending money again.

How do you define the insurance niche your products appeal to?

In the U.S., 80 percent or more of our policyholders are businesses with a handful of employees and revenue of \$2 to \$10 million.

We insure very large businesses as well, but our focus is on the small businesses. They need insurance so that, if something happens, they aren't going out of business the next day.

Is there inherently more risk insuring smaller companies and is it tougher to evaluate that risk?

This is part of our business model. There may be no track record because many of these businesses are brand new. The bigger companies we compete against are focused on evaluating experience to make underwriting decisions but we have been insuring new businesses long enough that we have a sense for the characteristics of a good business model.

How critical is management in your underwriting decisions?

We have so many small accounts that we can't get out to interview management on all of them, so we have to base our decisions on our own quantitative analyses.

Over time, as our clients grow, we want to grow with them. We come to know the better managers because they grow their businesses more quickly.

Is the U.S. your primary market or will opportunities for growth also come from emerging areas?

The growth coming from emerging markets has slowed down a bit. Most of our growth opportunity today is in the U.S. where we have a bigger presence.

About 55 percent of our risk is underwritten in the U.S. Today, with the economy growing in the U.S., albeit at a slow rate, it's presenting some real opportunities for us strategically.

Where is the growth coming from and how have you positioned the company?

In addition to opportunities from new businesses, some of our competitors who are traditional insurance companies broadened their risk appetite more than they should have and they're now narrowing their appetite. So we're seeing more opportunities from brokers and agents who are coming to specialty companies rather than going to the more traditional companies.

There are also a number of new product initiatives. ARIS, our title insurance for personal property – mainly art and other collectibles – is a good example of that. There are probably half a dozen product initiatives that are truly new to the insurance space, which are just starting to gain traction.

We're focused today on partnering with businesses that are creating new products to help protect them against certain risks inherent in their business. We're trying to help them manage those risks and take the unknown off the table so that they can focus on selling their products.

How critical is your leadership team when it comes to growing the company?

For most service companies, their biggest intellectual capital is their people.

A really strong business model matters a great deal and if you have that wrong, the best execution in the world won't save it. However, you do need good people to execute and make sure the strategy is right for the company.

How important is it for the U.S. to encourage entrepreneurship and spur innovation and technology?

Job growth doesn't come from large businesses. Small businesses create over half of the jobs in the U.S.

Over the past few years, new businesses haven't been created. That is not because entrepreneurs were afraid to start them, but rather because they were hampered by government. Federal regulators were not allowing banks to lend to small businesses for fear that the banks weren't solvent enough. We now have even more regulation. Because of regulation and the difficulties in raising capital and negotiating the hoops through which you have to jump to get off the ground, the amount of time required to get a business going today is extraordinary.

Is there a need for more business people to serve in government?

There is more of a need for people in government like Mayor Bloomberg. We need people who are truly committed to public service and not just there to further their political ambitions.

When people try to do the right thing, the right decisions get made.

Do you permit yourself the time to enjoy some of your wins and reflect on your success?

We're always looking to the next challenge. I spend more of my time now coaching the people that work with me. Watching them become successful is rewarding. ●