

Transforming Argo

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

EDITORS' NOTE In 1998, Mark Watson made an investment in Argo Group's predecessor company, Argonaut Group, and joined its board of directors in 1999. 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. He graduated with a B.B.A. from Southern Methodist University and a J.D. from The University of Texas School of Law.



Mark E. Watson III

COMPANY BRIEF Argo Group International Holdings, Ltd. (argolimited.com) is an international underwriter of specialty insurance and re-insurance 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 around the world.

How has Argo Group transformed itself and evolved to where it is today?

Argo, formerly Argonaut, has been around for over 65 years. It started as an independent company owned by its policyholders and was part of the Teledyne conglomerate from 1968 to 1986. Since then, it has been an independent public company that has transformed itself more than once. I invested in the company and then joined the board in early 1999. I became CEO a year later. When I first took over the company, I didn't realize how big a hole in our balance sheet had been created from risks that we had underwritten many years before. We spent a lot of time, frankly, just saving the company between 2000 and 2002. In doing so, my colleagues on the board and I agreed that we should evolve the company from one focused on worker's compensation to more of a specialty company. That's why I agreed to become CEO and this led us on a path that we've been on ever since.

We've had to change our game plan as the world around us has changed. From 2003 to 2007, we were able to grow the company quite

a bit in terms of specialty products, and become one of the leaders in the specialty marketplace in the U.S.

But the world around us was changing, as was our competition, which led us to making two acquisitions: a business in Bermuda with a focus on Fortune 2000 accounts and a syndicate at Lloyd's. These moves gave us a strong international platform.

We've continued this transformation into an international specialty company with additional offices in key markets in Europe, Dubai, Sao Paulo, Singapore, and Shanghai.

Has the Argo culture changed or has it been maintained throughout?

What I've learned is, when you make a lot of acquisitions, not only do you have to integrate the systems but you also have to integrate the culture, and it has taken us a fair amount of time to do that. Today, we're night-and-day different from where we started. We have evolved to a high-performance team culture.

Our acquisitions in Bermuda and London were both independent public companies. From 2008 to 2010, it was all hands on deck, trying to merge the operations of three independent public companies together and also melding the culture of those organizations. We're just now to the point where we're really working together as an integrated team.

When you change this radically, the roles in the organization also change quite substantially. We have all had to grow in the roles we're in and we've been fortunate enough to recruit some very talented people into the organization who already had experience in complex, international organizations. My executive team today is completely different from seven years ago.

Today we have the best team in place we've ever had and we're back to being client-facing as opposed to being so internally focused on change management.

It's a lot more fun when your time is spent helping your clients solve their problems and providing them the service they need, and this is all enabled by having the right people in place to do that.

How broad is your client profile?

We have risk in 64 countries around the world. We don't have offices in every country, but we have to service or manage risk for our clients in many parts of the world.

We insure sole proprietors all the way up to the largest companies in the world. That said, if you look at all of the businesses we insure, we're much more focused on the sole proprietor and small partnerships – those small businesses that make up a big chunk of any country's economy.

We work at bringing value to them and to the small broker that supports them. It's a real partnership, and it's where we have invested a lot of time and technology to more efficiently provide service to our clients and our policyholders.

How do you differentiate in this space?

We're a decentralized organization. Our underwriters and claims teams are very close to the policyholder geographically. This helps in building strong partnerships. We have teams within the group, and even whole businesses, which are very focused on a particular customer segment, and that is where we add value.

As an example, we're one of the largest insurers of mining operators in the U.S. and we focus on not just bringing our insurance policies to the table but also helping those independent mining operators manage their total risk. We have an engineering team that goes on-site with the mining operators to help them run their businesses.

We've also been very focused on being more efficient in how we communicate and transact with insurance brokers – helping them provide better service to their customers. For us, this is what it's all about – being able to help people run their businesses, be it through helping small business owners manage risk hands-on or providing service and solutions together with our distribution partners.

Has risk become more complex and harder to evaluate?

We have just seen the tip of the iceberg on cybersecurity. We're putting a lot of time and energy into understanding the risks that our current customers face, as well as those of new businesses that are being created digitally.

We're putting a lot of our innovation budget into thinking about how our industry and how the world is evolving digitally. Almost everything we will do going forward is focused on digital risk solutions for our customers because that is where they're all eventually headed. ●