

Helping Businesses Stay in Business

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 a founding partner of Aquila Capital Partners, a venture capital firm. Before that, he was an executive vice president and member of the board of directors of Titan Holdings Inc., a NYSE listed company, from 1992 until its sale in 1997. Watson began his career as a Legislative Aid to Texas State Senator Donald Henderson, and he was an associate attorney with Kröll & Tract in New York City. He graduated with a B.B.A. in finance 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 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 around the world.

What has made Argo consistently strong and are the entrepreneurial growth companies your sweet spot or is it much broader?

It's much broader. What has allowed us to do well over the past decade and a half has been a consistent strategy.

We've tried very hard to stay focused on building a leading specialty underwriter. Over time, our industry has become much more globalized so it's not enough to just be a leader in the U.S.; one needs to have an international if not global presence and spread risk to be a leading specialty underwriter.

Every company takes a different path to get there and our path has been very entrepreneurial. We've made some very thoughtful acquisitions. We've used our capital very judiciously and, in some years, we have used our capital to acquire businesses in strategic markets. This is particularly the case with our Bermuda and our Lloyd's platforms. In other years, when we thought it made more sense to give back capital, we have done that.

It's about knowing when to seize the opportunities and when to stay back. Over the past few years, with the hugely competitive marketplace, we have held back from using our capital aggressively.

Having said that, we still grew the company and increased our geographic presence as well as our product portfolio during that period of time. We also attracted some incredibly talented people, which has made acquisitions less important than they were a decade or so ago.

How challenging is it to truly differentiate in this space when services can sound so similar?

Differentiation is hugely challenging in a crowded marketplace where everybody is watching everybody else. Many of our successes come from emulating what we believe to be some of our very best competitors while, along the way, we figure out how to do things for ourselves.

The real way to differentiate, however, is to make sure that, as an underwriter, we're focused on meeting the needs of businesses as their risk management needs evolve.

Right now, there is much talk about cyber insurance. It's not a new risk but, all of a sudden, business owners are starting to be much more aware of the risk as more companies like Target and Sony are attacked. This is probably one of the faster growing parts of our industry.

Whether it's that coverage or another coverage, we have to make sure that we understand the needs of our customers and provide them with risk management products that help them instead of selling them what we, as an industry, have been selling everyone for the past several decades.

As more of the workforce becomes self-employed, another real trend that we're at the forefront of is providing insurance products for those small-business professionals who are sole proprietors. We don't just offer them a liability product or coverage for other interests they have; we offer them what they need when they need it.

The next generation of insurance buyers will have different needs and we, as an industry, must find ways to meet their needs in a different way than we did a decade ago.

As needs change, is there an innovative edge within this industry?

Technology is huge right now. For over a decade, I have believed that technology would eventually disrupt our industry in a big way. Today, it's finally happening quite quickly, and it's allowing us to make insurance available to entrepreneurs on a much more specific basis. We can literally insure a project one minute and turn off risk the next. It's technology that allows us to do that.

I can imagine us issuing insurance policies with tens of thousands of dollars in policy limit instead of millions of dollars in policy limit. I can imagine charging a premium that is hundreds of dollars, not thousands or tens of thousands of dollars and it takes a whole different business mindset to be able to do that. Of course, we need to have customers that recognize that need, but it's a need that is certainly being expressed to us by small business owners.

New York City has put a major focus on bringing digital businesses to the city. Will you talk about some of the work you do in this area?

Much of our digital innovation is coming from New York and Silicon Valley, though the latter has more of a general tech focus. But in New York, we have the financial industry expertise to go along with it.

We keep hearing about the new tech companies or fin-tech companies. The reality is that they are not that different from the dot-com companies of 1999. Today, there is just more know-how about the industry in New York and there is plenty of tech in New York.

Not by accident, our New York Office is based in SoHo, not downtown. We're in a great spot to pick up talented people.

How critical is the work you do around securing start-up businesses?

Most new jobs in developed economies, and not just the U.S., come from small-business formation. The purpose of our company is to help businesses, particularly small businesses, to stay in business. It really is that simple – that's our purpose. We want to be around to pay claims for our policyholders and help them manage their risk, while providing a good, stable work environment for our employees, generating a return for our shareholders, and looking after the communities where we operate. As the U.S. economy gets going again, we believe we're in a great place to help new business of any size get going. ●