

Insurance in Flux

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

EDITORS' NOTE *Mark E. Watson III first invested in Argo's predecessor company, Argonaut Group, in 1998. He joined the board of directors in 1999 and has served as CEO since 2000. Prior to joining Argonaut, he was one of two founding partners of Aquila Capital Partners, a Texas-based venture capital firm focused on technology and life sciences companies. Before founding Aquila, Watson was executive vice president and member of the board of directors of Titan Holding Inc., a NYSE-listed property and casualty insurance group, from 1992 until its acquisition in 1997 by USF&G Corporation. From 1989 to 1991, he was an associate attorney with Kroll & Tract, a New York law firm focusing on international financial services clientele. Watson graduated with a B.B.A. from Southern Methodist University and a J.D. from the University of Texas School of Law. He is a husband and father of three, as well as a rancher, an avid climber and yachtsman.*



Mark E. Watson III

How is Argo Group addressing the insurance industry's current age of disruption?

At Argo, we've anticipated digital disruption of our industry for more than a decade – knowing the failure of any company to adapt would prove fatal. Admittedly, our industry has been slow to adopt digital tools, yet that very lag gave us two tactical advantages. First, before settling on any approach, we were able to study which particular technologies most propelled other industries in their growth. Second, our partners were able to learn precisely what functionality their own clients value most. Those two insights made our path clearer.

We do not think of ourselves as leading-edge inventors, but rather innovators using technology to make critical, incremental improvements to our offerings. We do that by collaborating with our customers to identify concrete changes that will create more value for them, with brokers to build systems that make communication more efficient, with insurtech partners to bring new ideas into practice, and even with our competitors to make our industry more attractive to young professionals. This spirit

of collaboration is what led us to create Argo Ventures, so we can invest in and empower start-ups and entrepreneurs whose ambition is the reinvention of insurance through digital technologies.

Most important, we collaborate internally. Much of our success in digital comes from encouraging and rewarding innovation at all levels, flattening our org chart so we can work together, and giving project-specific teams the resources they need to experiment. In that way,

we have built, and will keep building, a culture of innovation that by definition will see us continue changing.

This collaborative leadership has served us well as we transform more swiftly, but at a speed at which we can integrate value-amplifying digital technologies while taking the time to make sure our investments are both strategic and practical.

What role does a chief executive officer play in collaborative leadership?

As CEO, I help celebrate our successes, and I challenge our teams not to become complacent about achievement. While our customers, partners and shareholders expect great outcomes from us, I believe we can meet those deep expectations if we avoid the temptation to get comfortable at any stage.

We have little interest in layering digital products or interfaces on top of legacy analog processes. Going digital is not a one-time process, but rather a company-wide commitment to continuous change. Our goal is to be digital from top to bottom in the future – this means everything in the cloud. In Argo's digital evolution, all of us have to research continually, think creatively, collaborate wisely, and iterate to improve. One of my duties as CEO is to make sure everyone in the company is on board with that.

What milestones are you looking to reach in the company's digital evolution?

We are looking at every corner of the company to make rapid and sustainable transformation. It starts, as I said, with a company-wide digital vision that has measurable financial impact across the company. We need quality data – both internal and external, enhanced by data analytics at all

levels – to strengthen underwriting accuracy and improve underwriting margin. We also want a strong, lean underlying system and workload capability – in other words, fewer technology systems. In addition, we want digitally driven processes – both internally and customer-facing – that increase profitability and support incremental growth. And, finally, we want to reduce outsourcing costs significantly.

What actions are you taking beyond developing and implementing technological advances to ensure Argo's growth and success?

Recruiting and retaining talented, ambitious, fulfilled employees will always be crucial to Argo's performance – no matter how sophisticated our digital tools become. Technology and process improvements enable us to raise productivity and increase revenue by processing significantly more business while maintaining the same number of employees.

Given our successes with our digital initiatives, we are attracting and hiring employees from a wider range of backgrounds and professional disciplines than ever before – such as data scientists and engineers in software, artificial intelligence and machine learning. If anything, our technologies will supplement the expertise of Argo employees and free them to apply their knowledge and judgment in ways that even the most advanced methods simply cannot.

What is Argo doing to make sure it has the people it needs to succeed?

We are creating a culture of innovation and it is attracting a broad talent pool beyond our industry. These professionals are joining Argo because they can apply themselves fully without limitation. We have been extremely privileged to have many top-tier performers join our company from various industries and professions. Earlier this year, Ian Macartney joined our innovation and digital team from Torrent Technologies, where he served as chief executive officer. One of the reasons Ian was eager to head up Argo's digital team is that we have a dedicated digital team making significant advances in artificial intelligence, machine learning and other disruptive technologies that much of the industry has yet to embrace. ●