



# 4Q 2015 Investor Presentation

March 2016

# Forward-Looking Statements

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**This presentation contains “forward-looking statements” which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are based on the Company's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that actual developments will be those anticipated by the Company. Actual results may differ materially from those projected as a result of significant risks and uncertainties, including non-receipt of the expected payments, changes in interest rates, effect of the performance of financial markets on investment income and fair values of investments, development of claims and the effect on loss reserves, accuracy in projecting loss reserves, the impact of competition and pricing environments, changes in the demand for the Company's products, the effect of general economic conditions, adverse state and federal legislation, regulations and regulatory investigations into industry practices, developments relating to existing agreements, heightened competition, changes in pricing environments, and changes in asset valuations. The Company undertakes no obligation to publicly update any forward-looking statements as a result of events or developments subsequent to the presentation.**

# Argo Group at a Glance

Exchange / Ticker:

NASDAQ / "AGII"

Share Price:

\$57.21

Market Capitalization:

\$1.6 billion

Quarterly Dividend / Annual Yield:

\$0.22 per share / 1.5%

Gross Written Premium:

\$2.0 billion

Capital:

\$2.0 billion

Analyst Coverage:

Raymond James (Strong Buy) – Greg Peters  
Piper Jaffray (Overweight) – Dan Farrell  
Compass Point (Neutral) – Ken Billingsley  
Dowling & Partners (Neutral) – Aaron Woomer  
KBW (Market Perform) – Meyer Shields  
William Blair (Market Perform) – Adam Klauber

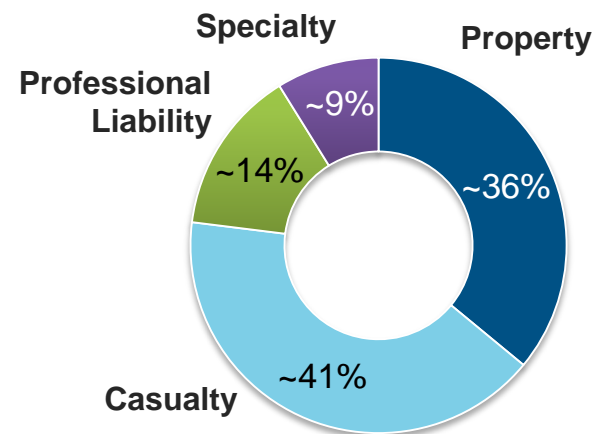
Atlanta • Bermuda • Boston • Brussels • Chicago • Dallas • Denver • Dubai • Fresno • Hamilton Township • Houston  
Irvine • Jersey City • London • Los Angeles • Malta • New York • Paris • Peoria • Portland • Richmond • Rio de Janeiro  
Rockwood • San Antonio • San Francisco • Sao Paulo • Scottsdale • Seattle • Singapore • Springfield • Zurich

# Leading Specialty Franchise

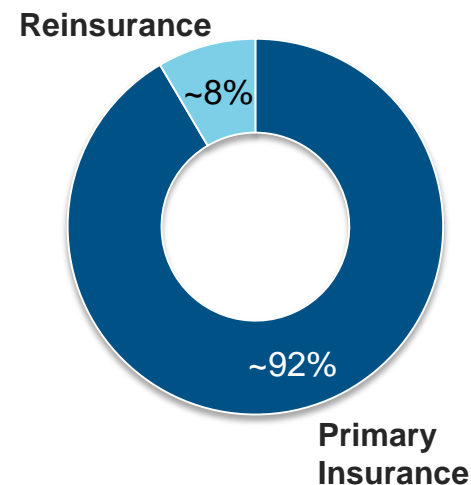
## Argo Franchise Overview

- **Global underwriter of specialty insurance & reinsurance**
- **Strategically located in major insurance centers**
  - U.S., Bermuda and London
- **Established presence in attractive markets**
  - Leader in U.S. Excess & Surplus Lines
  - Top Quartile Lloyd's Syndicate by stamp
  - Strong core Commercial Specialty franchise
  - Leading Bermuda reinsurance & excess casualty platform
- **Diversified by geography, product & distribution**
- **Broad and strong producer relationships**
  - Agents, brokers, wholesalers, and coverholders
- **“A” (excellent) A.M. Best rating**

## 2015 GWP by Business Mix



## 2015 GWP by Business Type



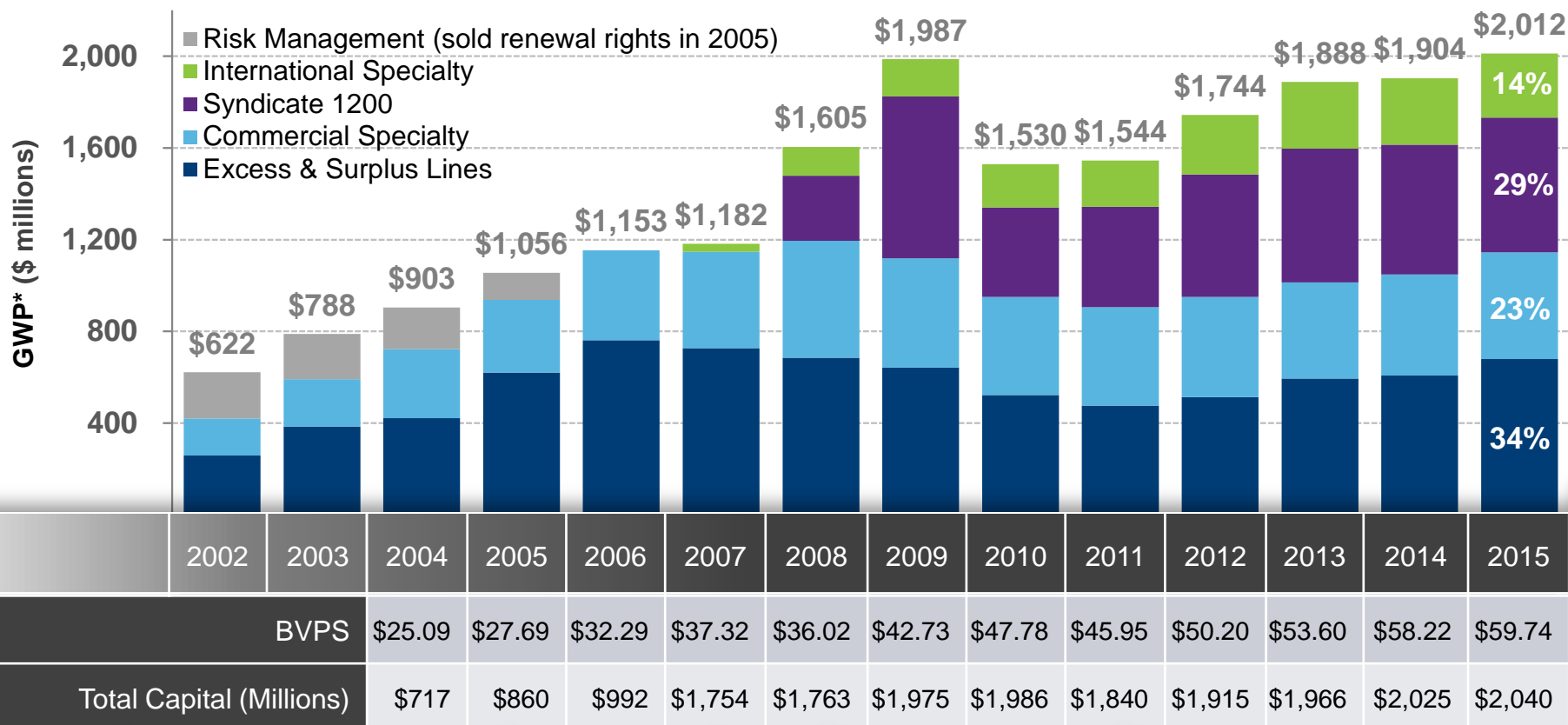
# Strategy Aligned Toward Shareholder Value

- **Sustainable competitive advantage**
  - Niche markets
  - Underwriting expertise
  - Superior customer service
  - Product innovation
- **Profitable organic & strategic growth**
  - Profitable through cycles
  - Key underwriters/teams
  - Deals that meet stringent criteria
- **Deep, tenured management team**
- **Active capital management**



***Maximize  
Shareholder  
Value  
through  
growth in  
Book Value  
per Share***

# Evolution of Growth and Diversification



**2001**

- Acquired Colony and Rockwood
- Founded Trident (Public Entity)

**2005**

- Sold Risk Management business

**2007**

- Rebranded Argo Group
- Completed acquisition in Bermuda
- Formed Argo Re

**2008**

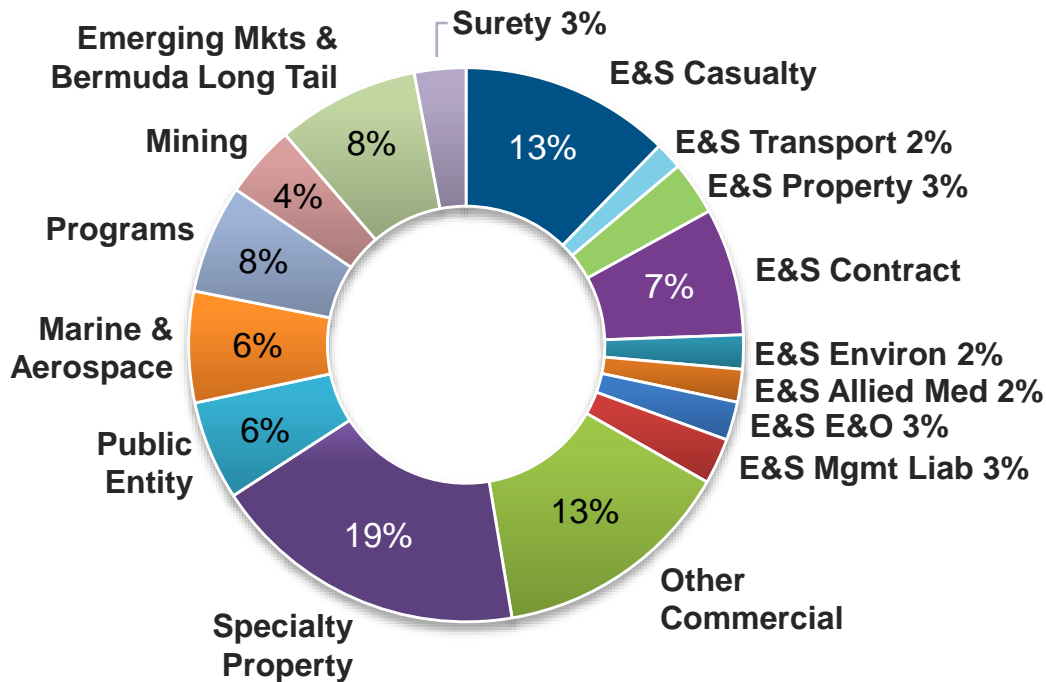
- Acquired Lloyd's Syndicate 1200

**2011**

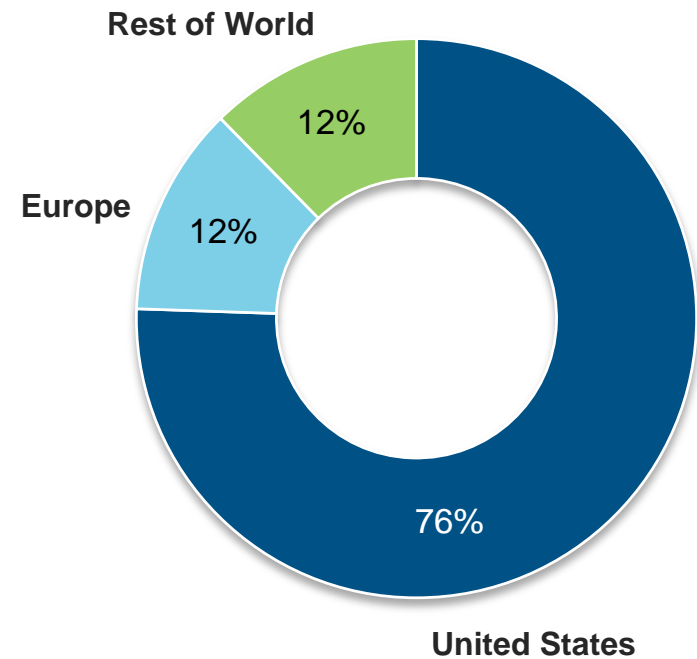
- Established local presence in Brazil

# Argo Group Business Mix (\$2.0b in GWP)

**GWP by Product**



**GWP by Geography**

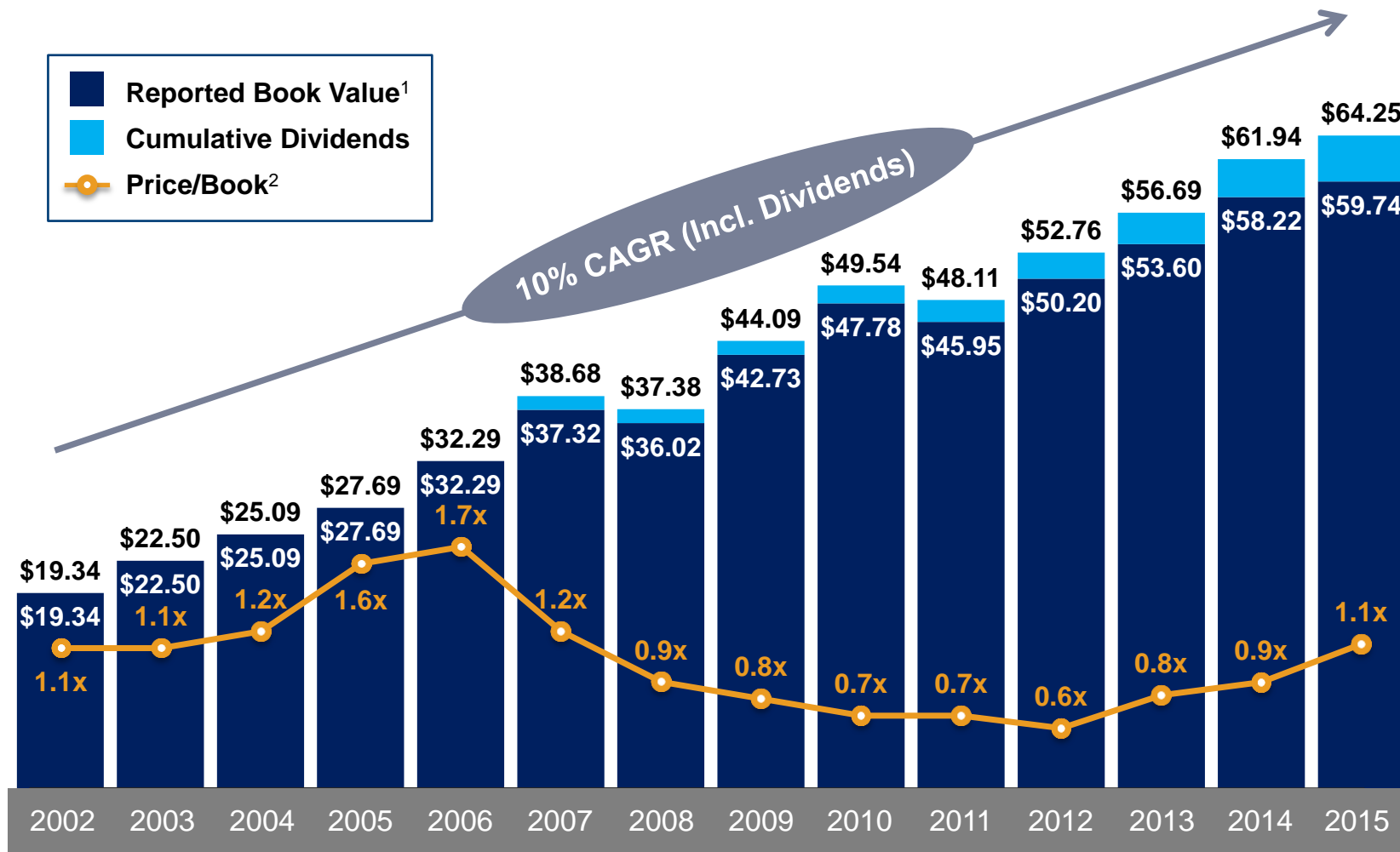


# Multi-Channel Distribution Strategy

		Retail Broker / Agent	General Agency	Wholesale Broker	Lloyd's Market	Reinsurance Broker
Commercial Specialty	Rockwood	X				
	Argo Insurance	X				
	Trident	X				
	Surety	X		X		
	Commercial Programs	X				
Excess & Surplus Lines	Alteris		X			
	Contract		X			
	Transportation		X			
	Casualty			X		
	E&O	X		X		
	D&O	X		X		
	Environmental			X		
	Allied Medical	X		X		
Specialty Property			X			
Syndicate 1200	Liability				X	
	Property				X	
	Aviation				X	
	Marine				X	
International Specialty	Excess Casualty	X		X		
	Professional Liability	X		X		
	Emerging Markets	X		X		
	Reinsurance					X



# Maximizing Shareholder Value – BVPS Growth



(1) Book value per common share:

- Adjusted for June 2013 and March 2015 stock dividend
- 2008-2011 restated to reflect adoption of ASU 2010-26 (related to accounting for costs associated with acquiring or renewing insurance contracts); 2007 and prior not restated
- 2006 and prior years adjusted for PXRE merger
- 2003-2006 includes impact of Series A Mandatory Convertible Preferred on an as-if converted basis. Preferred stock fully converted into common shares as of Dec. 31, 2007

(2) Price / book represents the high for the YTD period

# Substantial Growth and Financial Strength

Scale (\$m)	2002	2006	2015	'02-'15 Factor
<b>Gross Written Premiums</b>	<b>\$622.1</b>	<b>\$1,155.6</b>	<b>\$2,012.1</b>	<b>3.2x</b>
Net Written Premiums	484.0	847.0	1,402.1	<b>2.9x</b>
Net Earned Premiums	378.4	813.0	1,371.9	<b>3.6x</b>

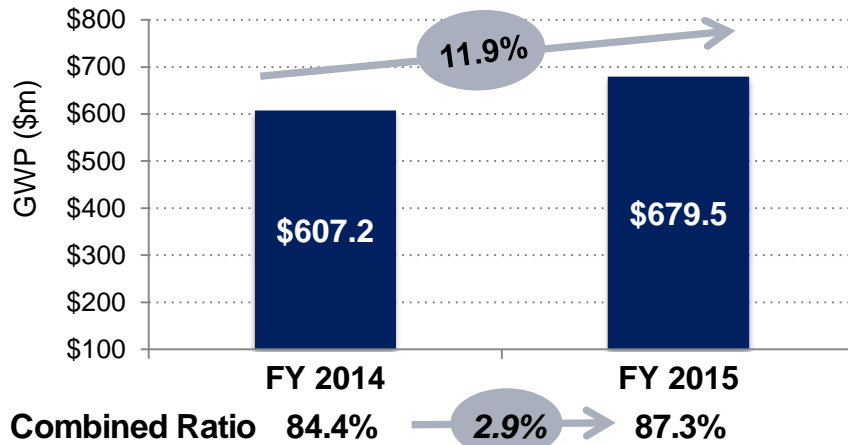
Financial Strength (\$m)	2002	2006	2015	'02-'15 Factor
<b>Total Assets</b>	<b>\$2,208.9</b>	<b>\$3,721.5</b>	<b>\$6,630.1</b>	<b>3.0x</b>
Total Investments	1,181.3	2,514.1	4,115.7	<b>3.5x</b>
Shareholder's Equity	327.7	847.7	1,668.1	<b>5.1x</b>
BVPS <sup>1</sup>	\$19.34	\$32.29	\$59.74	<b>3.1x</b>
<b>Total Capital</b>	<b>\$327.7</b>	<b>\$992.0</b>	<b>\$2,039.8</b>	<b>6.2x</b>
Debt+TRUPs / Total Capital	0.0%	14.5%	18.2%	
A.M. Best Rating	A	A	A	

(1) Book value per common share:  
 - Adjusted for June 2013 and March 2015 stock dividend  
 - 2006 adjusted for PXRE merger and includes impact of Series A Mandatory Convertible Preferred on an as-if converted basis. Preferred stock fully converted into common shares as of Dec. 31, 2007

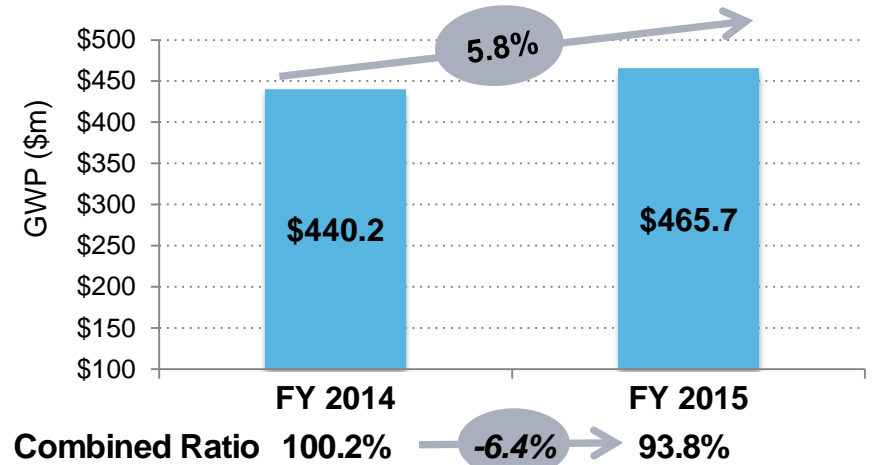
# 2015 YoY Gross Written Premium & Combined Ratio

*Consolidated GWP up 5.6% and Combined Ratio improved 1.0% in 2015 vs. 2014*

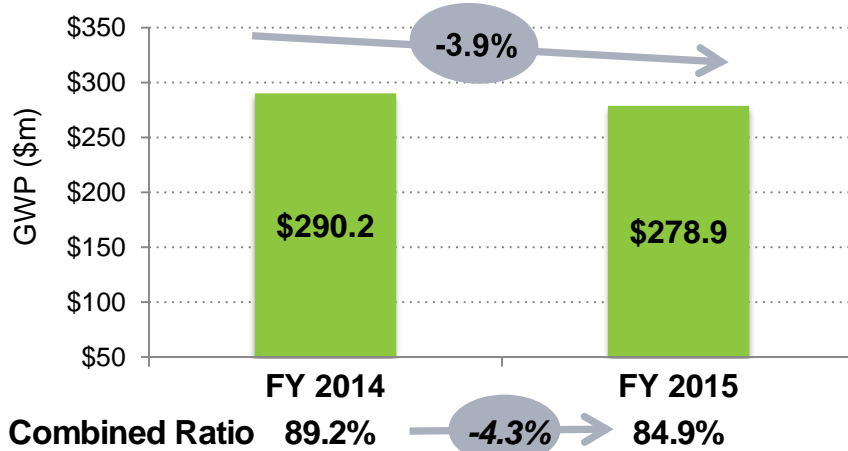
## Excess & Surplus Lines



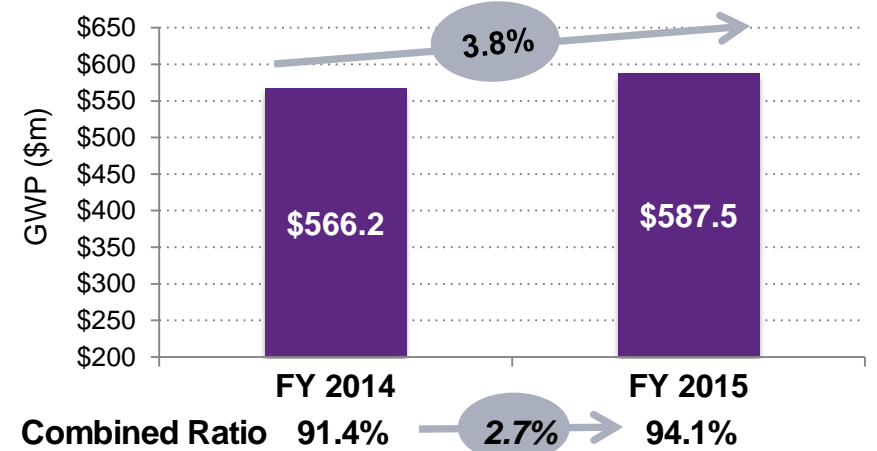
## Commercial Specialty



## International Specialty

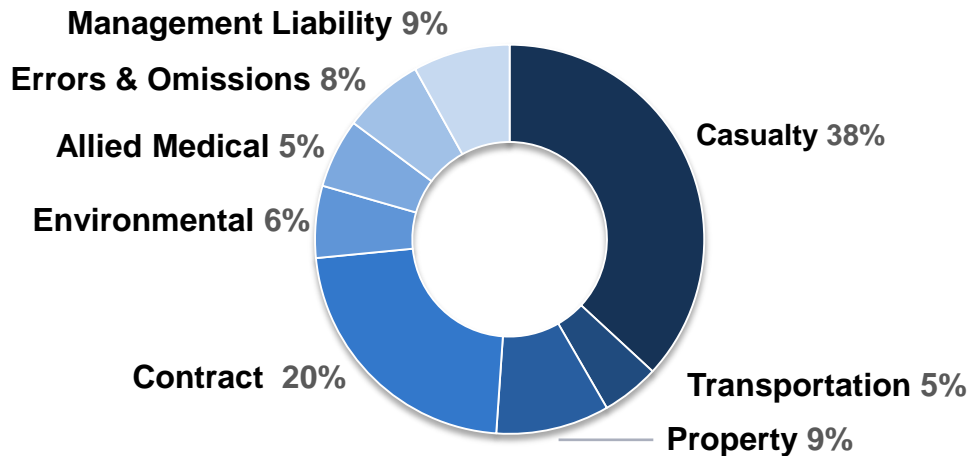


## Syndicate 1200



# Excess & Surplus Lines Segment (34% of GWP)

## GWP by Business Unit (2015)

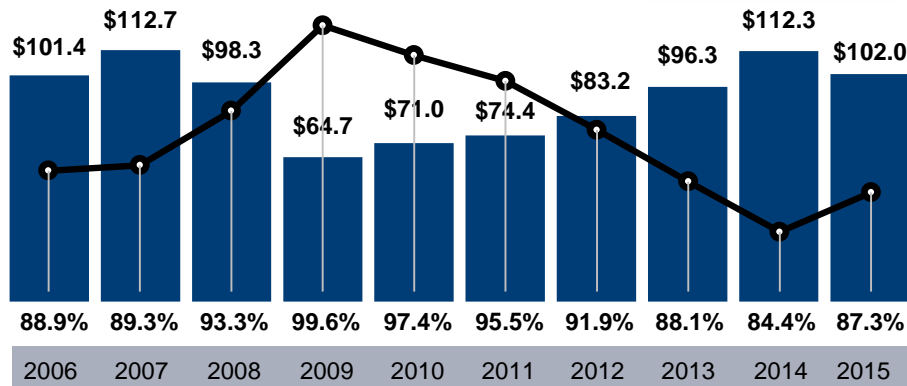


## About Us

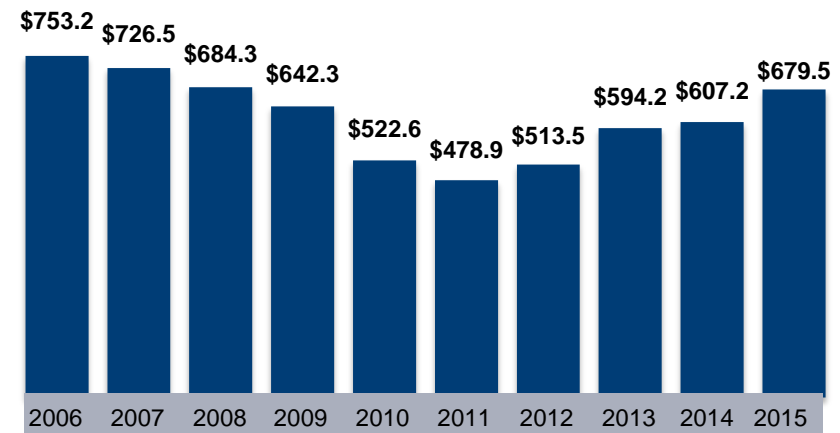
- Leader in U.S. Excess & Surplus Lines
- Strong relationships with national, local and regional wholesale brokers
- Seasoned U/W expertise is a competitive advantage
- Target all sizes of non-standard (hard-to-place) risks, with focus on small/medium accounts
- Underwrites on both admitted & non-admitted basis and across all business enterprises via two brands:
  - Colony Specialty
  - Argo Pro

## PTOI<sup>(1)</sup> & Combined Ratio

● Combined Ratio  
■ PTOI

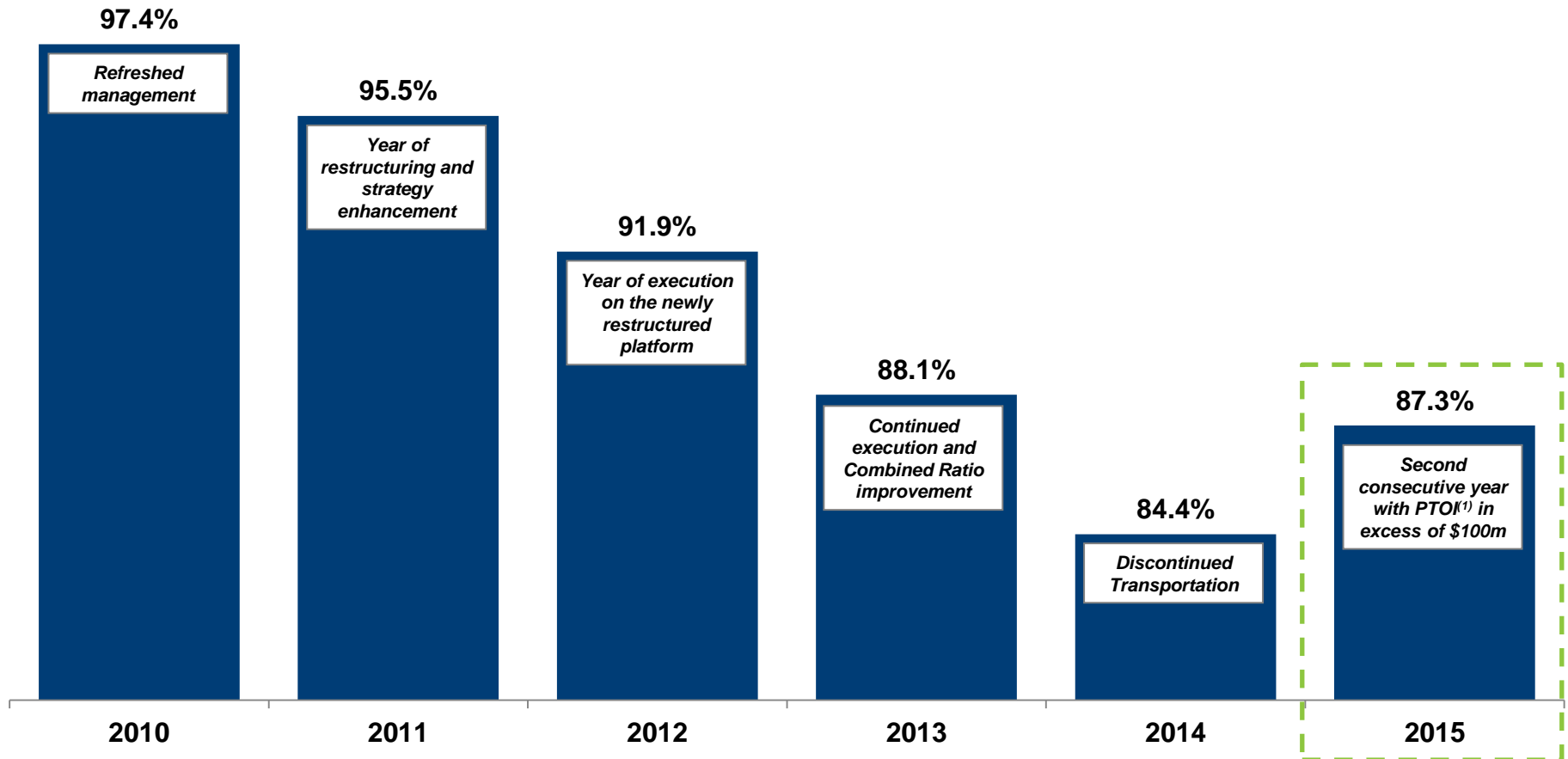


## Gross Written Premium



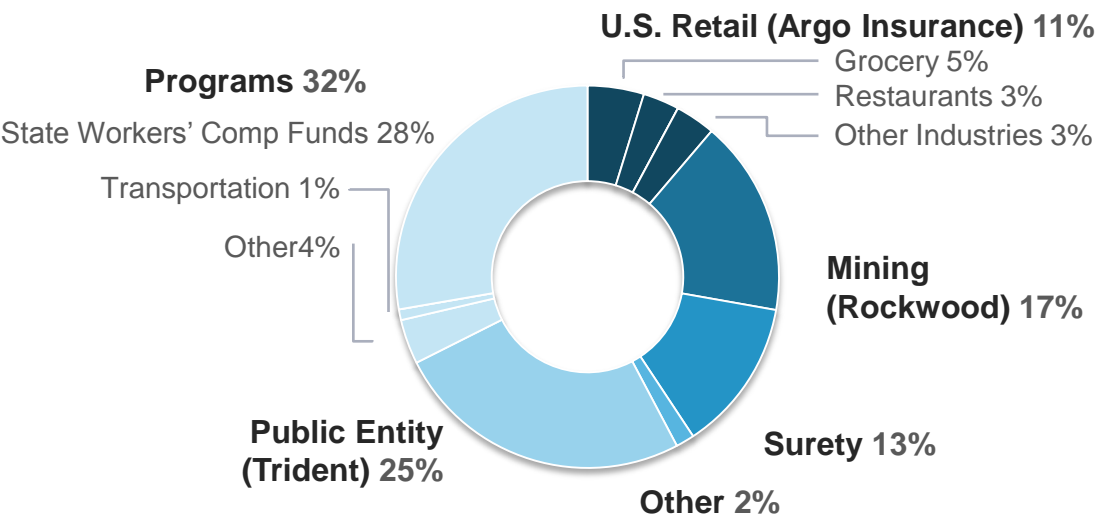
# E&S Operating Platform Enhancement

*Restructuring initiatives and strategy enhancement has enabled Argo to become an industry-leading E&S underwriter*



# Commercial Specialty Segment (23% of GWP)

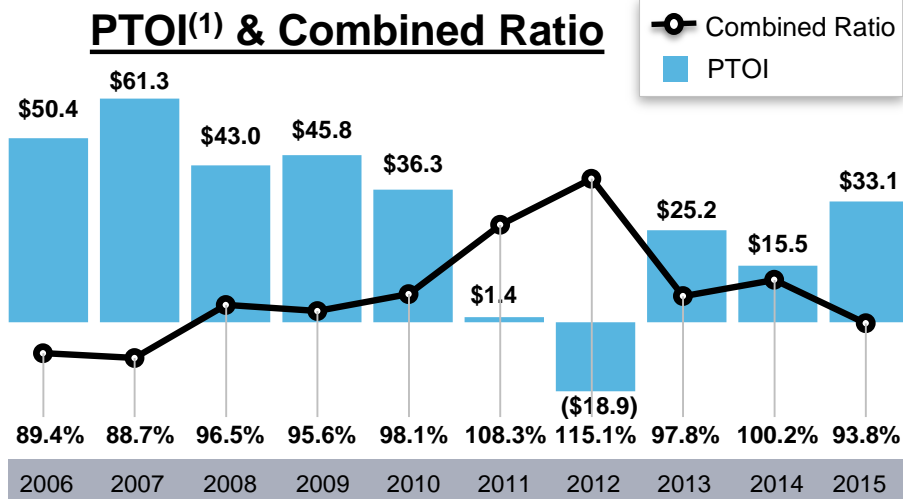
## GWP by Business Unit (2015)



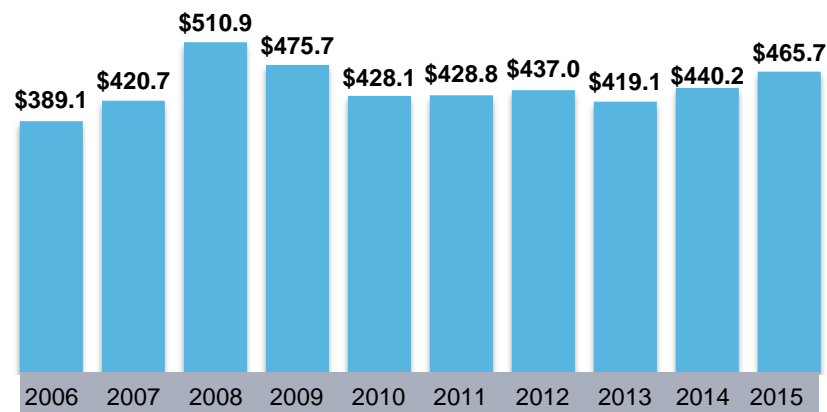
## About Us

- Business primarily placed through retail distribution partners
- Argo Insurance – designs customized commercial insurance programs for retail grocery stores
- Trident – One of the largest specialty commercial insurance providers for small to middle market public-sector entities in the U.S.
- Rockwood – Leading provider of workers compensation for the coal mining industry
- Surety – Top 25 surety writer
- Programs – underwrites select specialty programs and provides fronting for State-sponsored funds

## PTOI(1) & Combined Ratio

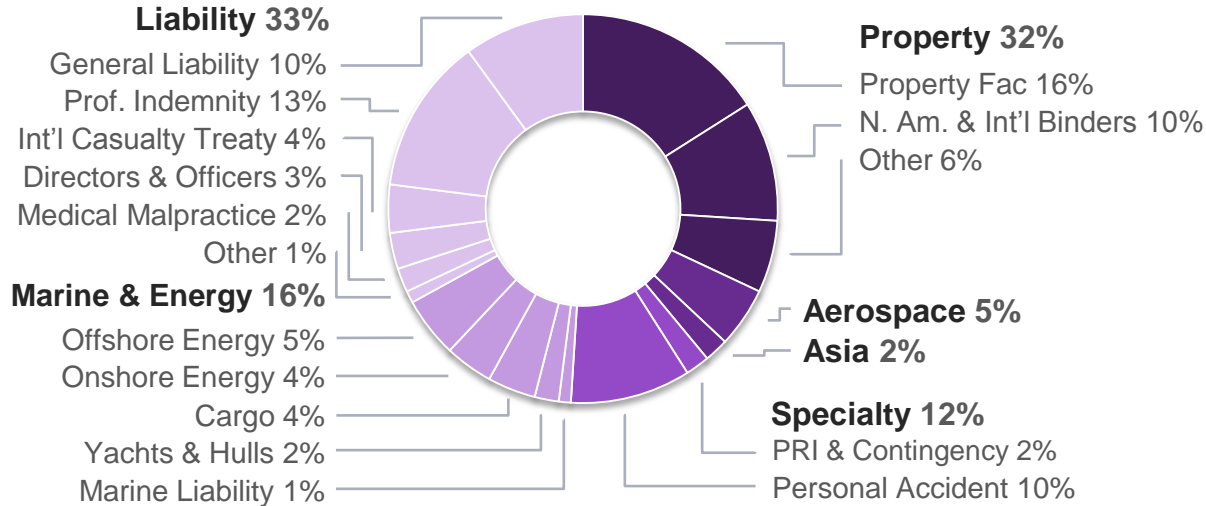


## Gross Written Premium



# Syndicate 1200 Segment (29% of GWP)

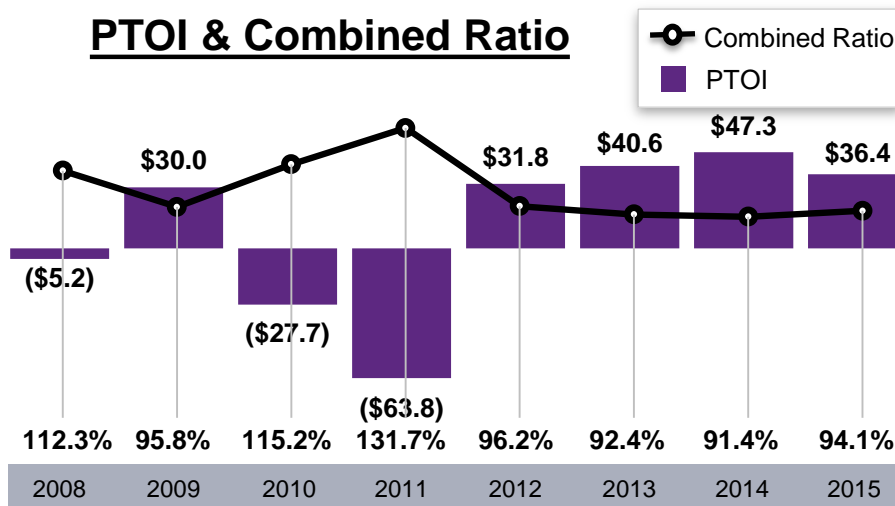
## GWP by Business Unit (2015)



## About Us

- Well-established multi-class platform at Lloyd's of London
- Ranks among the largest Syndicates at Lloyd's by Stamp Capacity
- Lloyd's market ratings:
  - 'A' (Excellent) by A.M. Best
  - 'A+' (Strong) by S&P
- Regional offices in Dubai, Singapore and China

## PTOI & Combined Ratio

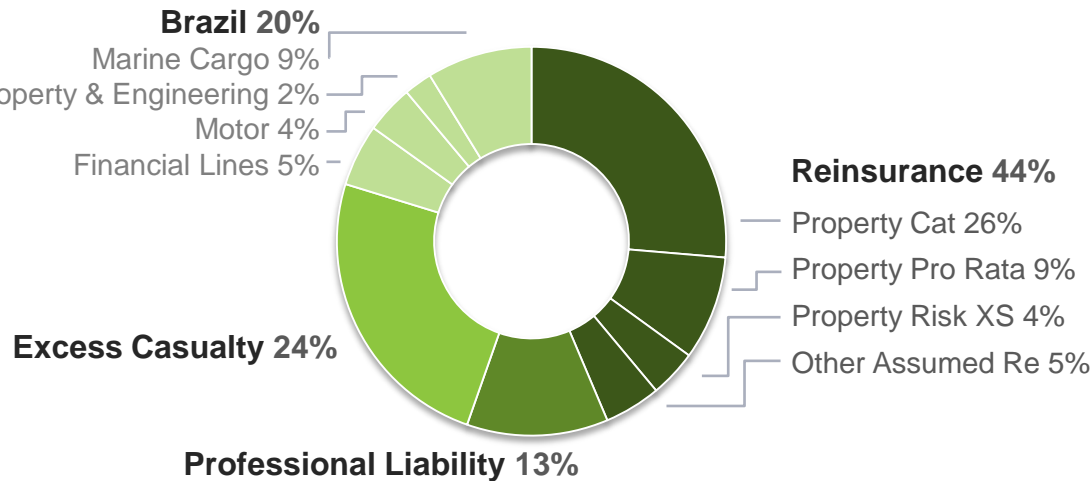


## Gross Written Premium



# International Specialty Segment (14% of GWP)

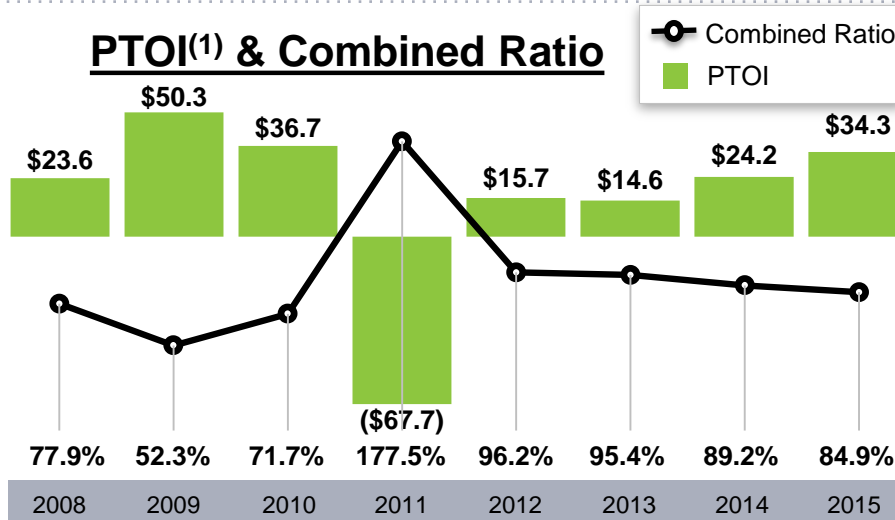
## GWP by Business Unit (2015)



## About Us

- **Bermuda team underwrites:**
  - Property cat, short tail per risk and proportional treaty reinsurance worldwide
  - Excess casualty and professional liability for Fortune 1000 accounts
- **Building diversity through international expansion:**
  - Established primary operations in Brazil
  - Established operations in Eurozone
- **Distributes through brokers**

## PTOI(1) & Combined Ratio



## Gross Written Premium





# 4Q 2015 & Full Year 2015 Operating Results

	4Q 2015	4Q 2014	Full Year 2015	Full Year 2014
Gross Written Premiums	\$446.2	\$425.0	\$2,012.1	\$1,905.4
Net Written Premiums	308.3	312.3	1,402.1	1,367.9
Earned Premiums	345.3	338.7	1,371.9	1,338.1
Losses and Loss Adjustment Expenses	191.8	187.9	766.1	747.4
Underwriting, Acquisition and Insurance Expenses	137.7	139.9	539.6	539.2
<b>Underwriting Income</b>	<b>\$15.8</b>	<b>\$10.9</b>	<b>\$66.2</b>	<b>\$51.5</b>
Net Investment Income	21.7	21.9	85.6	86.6
Fee and other income (expense), net	(0.6)	(0.7)	(0.7)	(0.6)
Interest Expense	4.7	4.9	19.0	19.9
<b>Operating Income</b>	<b>\$32.2</b>	<b>\$27.2</b>	<b>\$132.1</b>	<b>\$117.6</b>
Net Realized Investment and Other Gains	2.1	51.5	27.1	94.0
Foreign Currency Exchange Gain (Loss)	9.9	5.0	18.3	7.8
Impairment of intangible assets	0.0	(3.4)	0.0	(3.4)
<b>Income Before Taxes</b>	<b>\$44.2</b>	<b>\$80.3</b>	<b>\$177.5</b>	<b>\$216.0</b>
Income Tax Provision	3.0	20.6	14.3	32.8
<b>Net Income</b>	<b>\$41.2</b>	<b>\$59.7</b>	<b>\$163.2</b>	<b>\$183.2</b>
<b>Operating Income per Common Share (Diluted)<sup>1</sup></b>	<b>\$0.90</b>	<b>\$0.76</b>	<b>\$3.70</b>	<b>\$3.22</b>
<b>Net Income per Common Share (Diluted)</b>	<b>\$1.44</b>	<b>\$2.07</b>	<b>\$5.72</b>	<b>\$6.27</b>
Loss Ratio <sup>2</sup>	55.5%	55.4%	55.8%	55.9%
Expense Ratio <sup>3</sup>	39.9%	41.3%	39.4%	40.3%
<b>Combined Ratio</b>	<b>95.4%</b>	<b>96.7%</b>	<b>95.2%</b>	<b>96.2%</b>

All data in millions except for per share data and ratio calculations.

(1) Calculated using an assumed tax rate of 20%.

(2) Defined as Losses and Loss Adjustment Expenses / Earned Premiums.

(3) Defined as Underwriting, Acquisition and Insurance Expenses / Earned Premiums.

# Conservative Investment Strategy

As of December 31, 2015

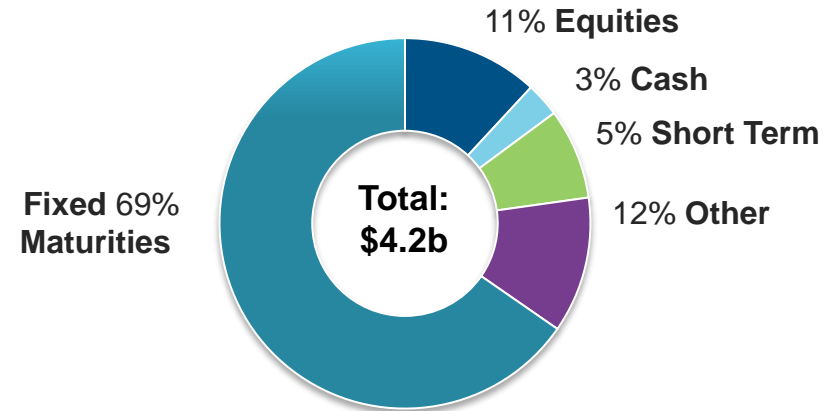
## Portfolio Characteristics

- Duration of 2.2 years
- Average rating of 'A1/A+'
- Book yield of 2.8%\*
- Very liquid
- Conservatively managed

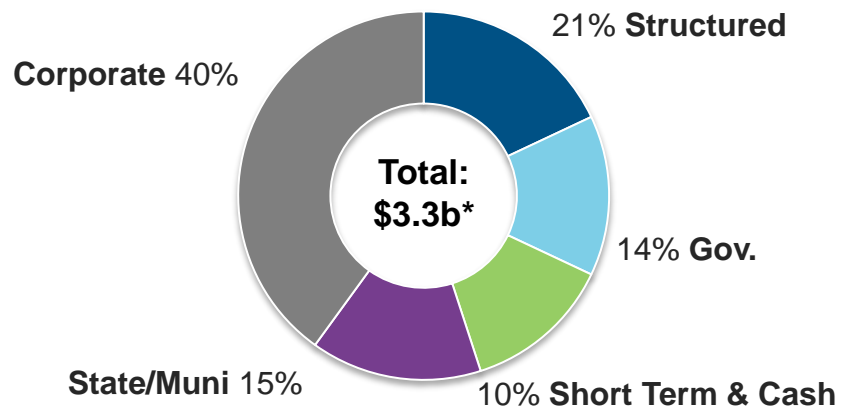
\*Book yield is pre-tax & includes all fixed maturities

\*Duration includes cash & equivalents

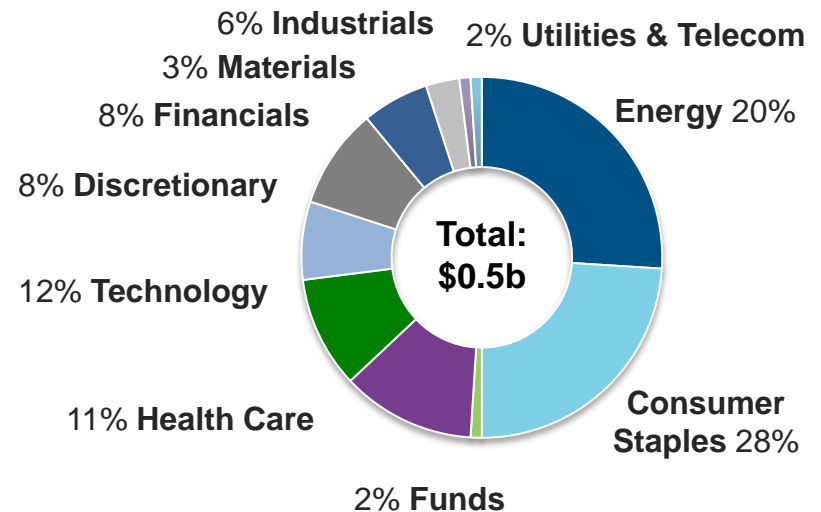
## Asset Allocation



## Fixed Maturities by Type



## Equity Investments by Sector



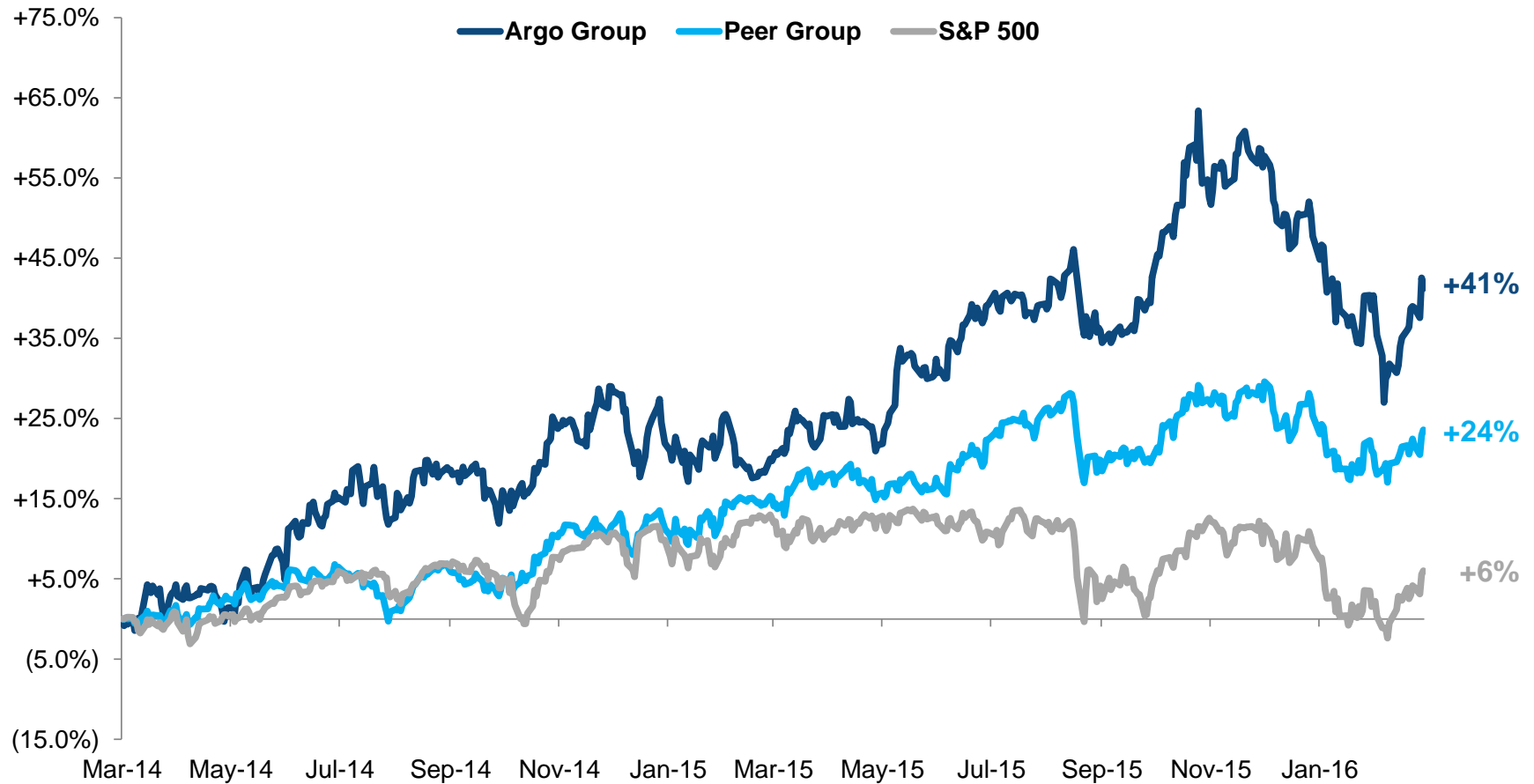
\*\$2.9 billion in fixed maturities, \$0.3 billion in short term & cash

# Active Capital Management

**Through share repurchases and dividends, we have returned \$422 million of capital and repurchased 29% of shares outstanding from 2010 through 2015**

	2010	2011	2012	2013	2014	2015	2010-2015 Total
Total Shares Outstanding	31,206,796	31,285,469	31,384,271	34,066,889	34,318,224	37,105,922	
Less: Treasury Shares	3,363,560	4,971,305	6,459,613	7,558,345	8,606,489	9,181,644	
<b>Net Shares</b>	<b>27,843,236</b>	<b>26,314,164</b>	<b>24,924,658</b>	<b>26,508,544</b>	<b>25,711,735</b>	<b>27,924,278</b>	
<b>Shares Repurchased</b>	<b>3,217,561</b>	<b>1,607,745</b>	<b>1,488,308</b>	<b>1,098,732</b>	<b>1,048,144</b>	<b>575,155</b>	<b>9,035,645</b>
<i>As % of Beg. Net Shares</i>	10%	6%	6%	4%	4%	2%	29%
Avg. Repurchase Price per Share	\$33.05	\$30.69	\$29.89	\$41.02	\$48.45	\$51.55	\$36.04
<b>Total Repurchased (\$m)</b>	<b>\$106.3</b>	<b>\$49.3</b>	<b>\$44.5</b>	<b>\$45.1</b>	<b>\$50.8</b>	<b>\$29.7</b>	<b>\$325.7</b>
Dividends per Share	\$0.48	\$0.48	\$0.48	\$0.60	\$0.69	\$0.80	\$3.53
<b>Dividend Payments (\$m)</b>	<b>\$14.2</b>	<b>\$13.1</b>	<b>\$12.3</b>	<b>\$15.8</b>	<b>\$18.2</b>	<b>\$22.7</b>	<b>\$96.3</b>
<b>Repurchases + Dividends (\$m)</b>	<b>\$120.5</b>	<b>\$62.4</b>	<b>\$56.8</b>	<b>\$60.9</b>	<b>\$69.0</b>	<b>\$52.4</b>	<b>\$422.0</b>

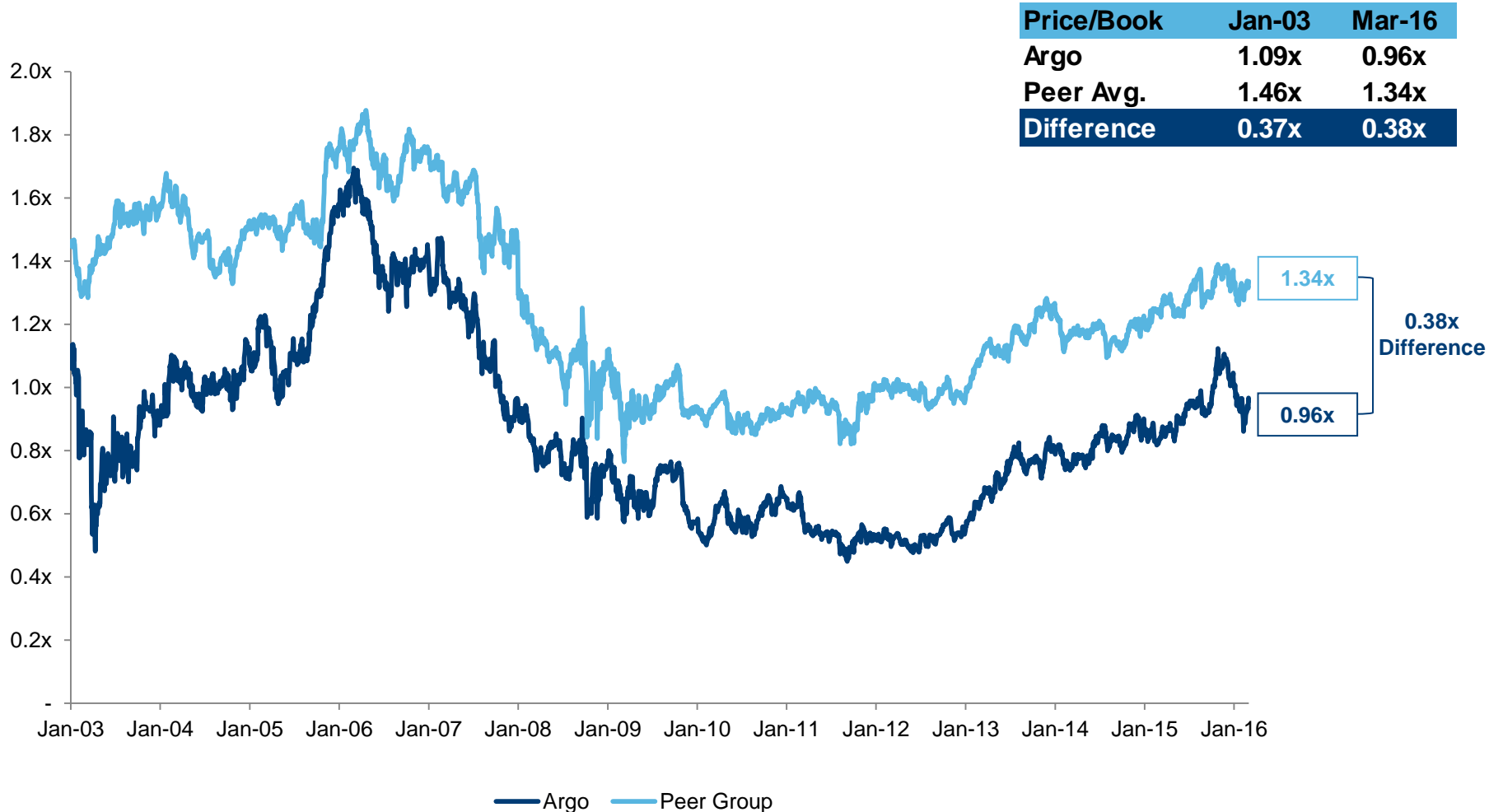
# Stock Price Performance – Last 2 Years



Source: SNL Financial (as of 3/2/16).

Note: Peer Group consists of: Allied World, American Financial, Arch Capital, Aspen, AXIS Capital, Endurance, Global Indemnity, Markel, Navigators, OneBeacon, RLI Corp, Selective Group, W.R. Berkley.

# Compelling Valuation vs. Peer Group



Source: SNL Financial (as of 3/2/16).

Note: Price to book is average price/book across all peer companies based on latest reported book value. Peer Group consists of: Allied World, American Financial, Arch Capital, Aspen, AXIS Capital, Endurance, Global Indemnity, Markel, Navigators, OneBeacon, RLI Corp, Selective Group, W.R. Berkley.

# Well Positioned for Value Creation in 2016 and Beyond

*We believe that Argo Group has potential to generate substantial value for new and existing investors*

## Operations

- Significant changes to premium composition completed
- Results of underwriting initiatives evident in financials
- Continue to employ and attract some of the best talent in the industry
- Incremental yield improvements can have a favorable impact on ROE

## Capital

- Moderate financial leverage
- Strong balance sheet with adequate reserves and excellent asset quality

## Valuation

- Compelling investment case
- Stock trading at a discount to peers
- Upside potential as past and ongoing efforts continue