



# 3Q 2016 Investor Presentation

November 2016

# Forward-Looking Statements

This presentation may include forward-looking statements, both with respect to Argo Group and its industry, that reflect our current views with respect to future events and financial performance. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "expect," "intend," "plan," "believe," "do not believe," "aim," "project," "anticipate," "seek," "will," "likely," "assume," "estimate," "may," "continue," "guidance," "objective," "outlook," "trends," "future," "could," "would," "should," "target," "on track" and similar expressions of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond Argo Group's control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. We believe that these factors include, but are not limited to, the following: 1) unpredictability and severity of catastrophic events; 2) rating agency actions; 3) adequacy of our risk management and loss limitation methods; 4) cyclicity of demand and pricing in the insurance and reinsurance markets; 5) statutory or regulatory developments including tax policy, reinsurance and other regulatory matters; 6) our ability to implement our business strategy; 7) adequacy of our loss reserves; 8) continued availability of capital and financing; 9) retention of key personnel; 10) competition; 11) potential loss of business from one or more major insurance or reinsurance brokers; 12) our ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to develop accurate actuarial data to support the business and regulatory and reporting requirements; 13) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 14) the integration of businesses we may acquire or new business ventures we may start; 15) the effect on our investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; 16) acts of terrorism or outbreak of war; and 17) availability of reinsurance and retrocessional coverage, as well as management's response to any of the aforementioned factors.

In addition, any estimates relating to loss events involve the exercise of considerable judgment and reflect a combination of ground-up evaluations, information available to date from brokers and cedants, market intelligence, initial tentative loss reports and other sources. The actuarial range of reserves and management's best estimate is based on our then current state of knowledge including explicit and implicit assumptions relating to the pattern of claim development, the expected ultimate settlement amount, inflation and dependencies between lines of business. Our internal capital model is used to consider the distribution for reserving risk around this best estimate and predict the potential range of outcomes. However, due to the complexity of factors contributing to the losses and the preliminary nature of the information used to prepare these estimates, there can be no assurance that Argo Group's ultimate losses will remain within the stated amount.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the risk factors included in our most recent reports on Form 10-K and Form 10-Q and other documents of Argo Group on file with or furnished to the U.S. Securities and Exchange Commission ("SEC"). Any forward-looking statements made in this presentation are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Argo Group will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Argo Group or its business or operations. Except as required by law, Argo Group undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

# Argo Group at a Glance

Exchange / Ticker:

NASDAQ / "AGII"

Share Price:

\$58.45

Market Capitalization:

\$1.8 billion

Quarterly Dividend / Annual Yield:

\$0.22 per share / 1.5%

Gross Written Premium:

\$2.1 billion

Capital:

\$2.2 billion

Analyst Coverage:

Raymond James (Strong Buy) – Greg Peters  
Compass Point (Neutral) – Ken Billingsley  
Dowling & Partners (Neutral) – Aaron Woomer  
JMP (Market Perform) – Matthew Carletti  
KBW (Market Perform) – Arash Soleimani  
William Blair (Market Perform) – Adam Klauber

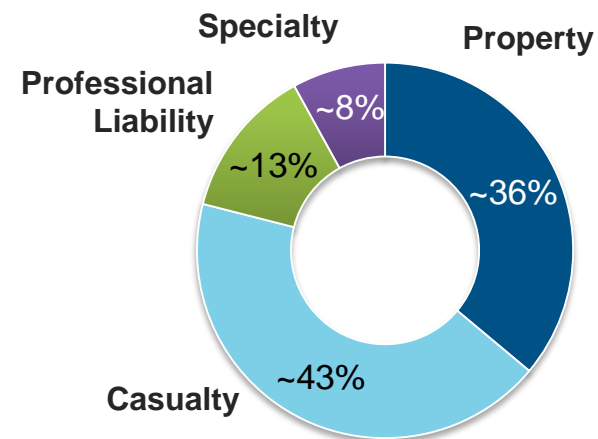
Atlanta • Bermuda • Boston • Brussels • Chicago • Dallas • Denver • Dubai • Fresno • Hamilton Township • Houston  
Irvine • Jersey City • London • Los Angeles • Malta • New York • Paris • Peoria • Portland • Richmond • Rio de Janeiro  
Rockwood • San Antonio • San Francisco • Sao Paulo • Scottsdale •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

# Leading Specialty Franchise

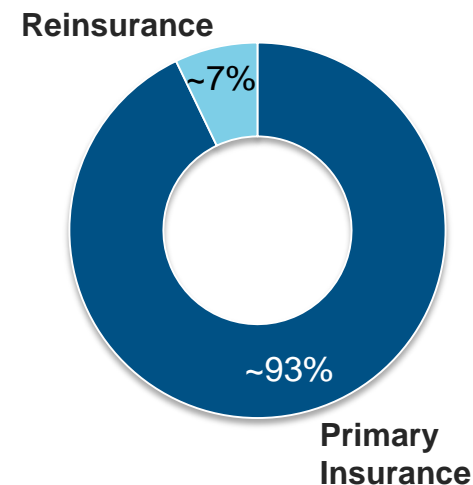
## Argo Franchise Overview

- **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**

## TTM GWP by Business Mix



## TTM GWP by Business Type



# Strategy Aligned Toward Shareholder Value

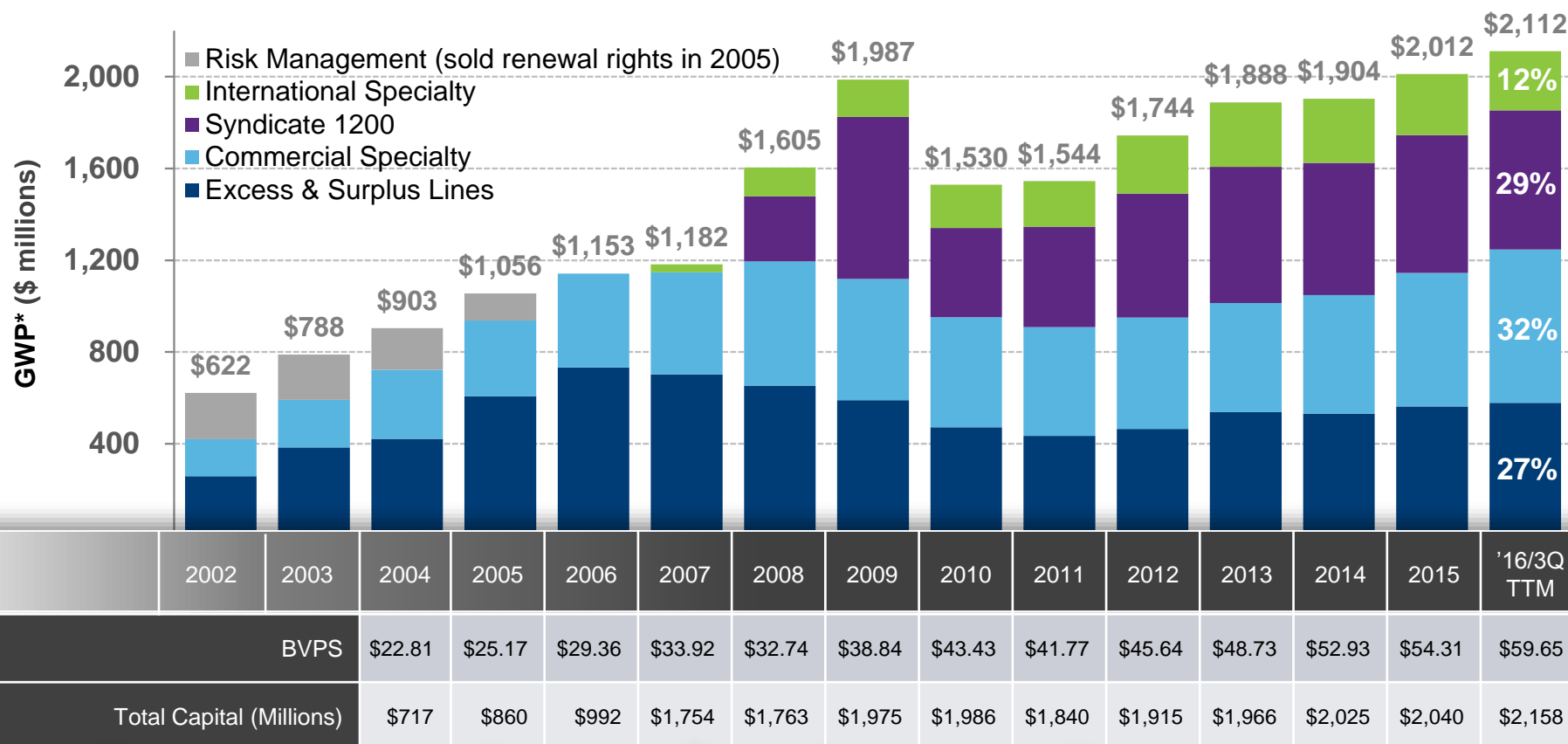
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- **Sustainable competitive advantage**
  - Niche markets
  - Underwriting expertise
  - Superior customer service
  - Product innovation
- **Profitable organic & strategic growth**
  - Profitable through cycles
  - Key underwriters/teams
  - Deals 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

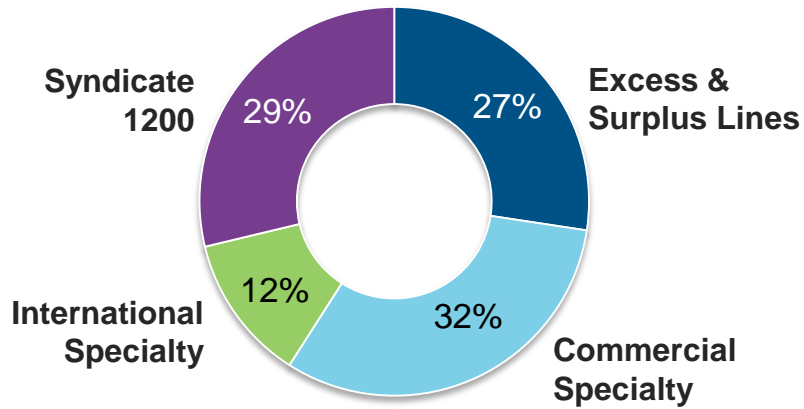
- Acquired Lloyd's Syndicate 1200

## 2011

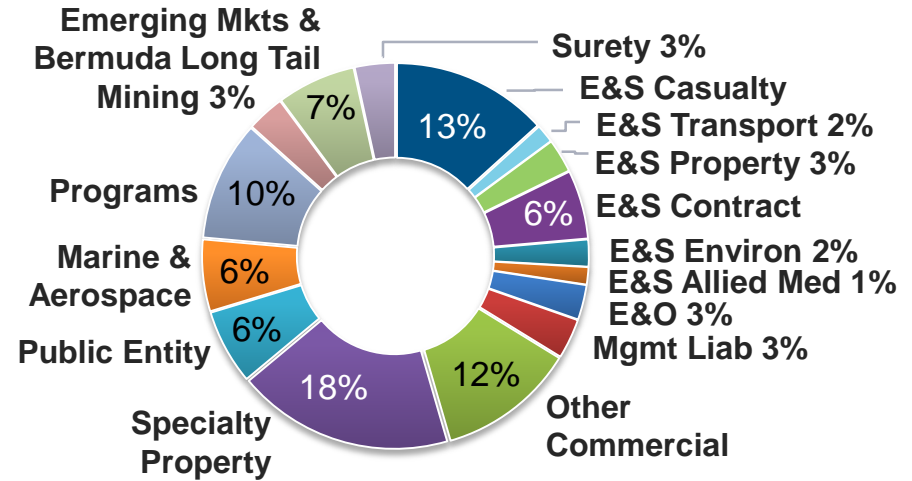
- Established local presence in Brazil

# Argo Group Business Mix (\$2.1b in GWP)

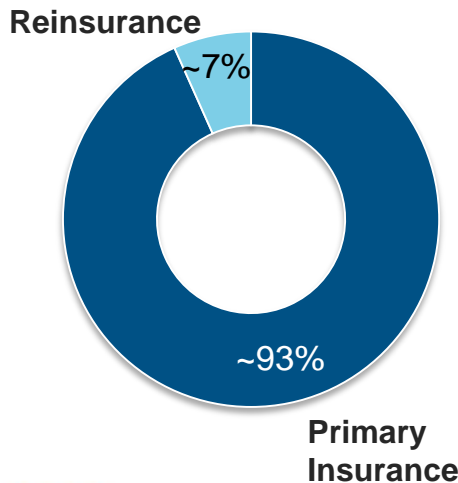
## GWP by Segment



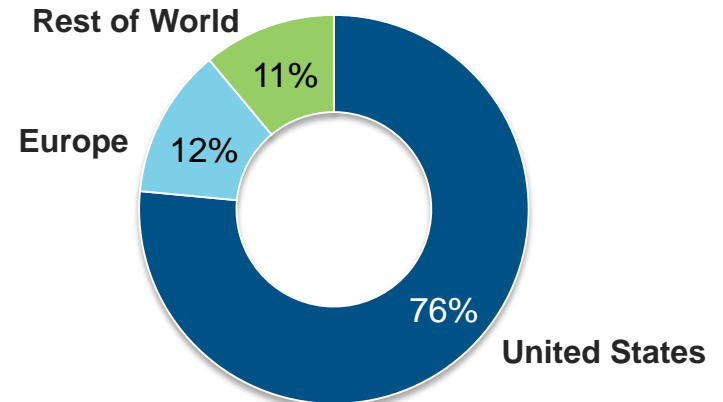
## GWP by Product



## GWP by Business Type



## GWP by Geography

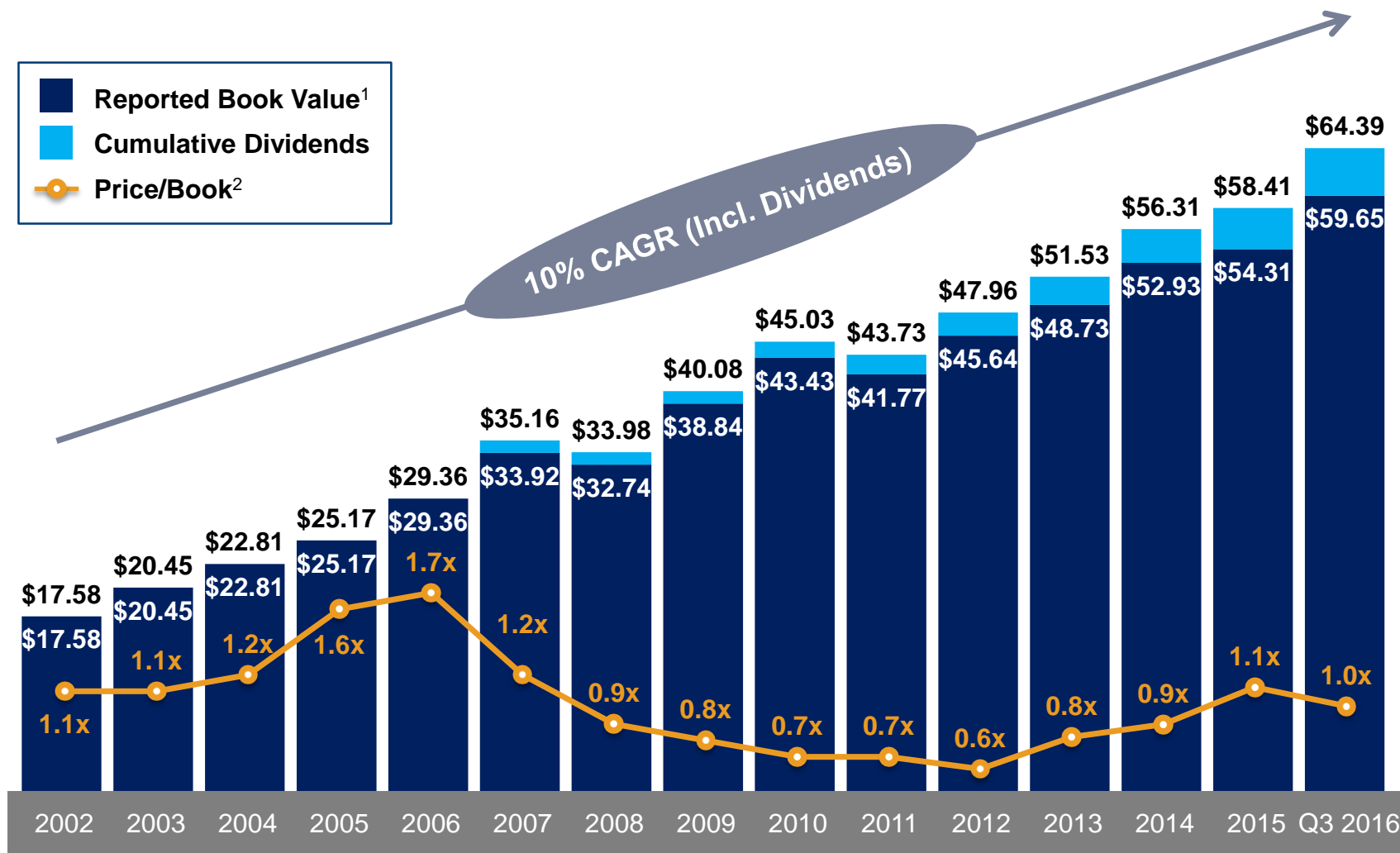


# Multi-Channel Distribution Strategy

		<u>Retail Broker / Agent</u>	<u>General Agency</u>	<u>Wholesale Broker</u>	<u>Lloyd's Market</u>	<u>Reinsurance Broker</u>
Commercial Specialty	Rockwood	X				
	Argo Insurance	X				
	Trident	X				
	E&O	X		X		
	D&O	X		X		
	Surety	X		X		
	Commercial Programs	X				
Excess & Surplus Lines	Alteris		X			
	Contract		X			
	Transportation		X			
	Casualty			X		
	Environmental			X		
	Allied Medical	X		X		
Syndicate 1200	Specialty Property			X		
	Liability				X	
	Property				X	
	Aviation				X	
International Specialty	Marine				X	
	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, March 2015 and June 2016 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	TTM 3Q '16	'02-3Q'16 Factor
<b>Gross Written Premiums</b>	<b>\$622.1</b>	<b>\$1,155.6</b>	<b>\$2,112.0</b>	<b>3.4x</b>
Net Written Premiums	484.0	847.0	1,415.0	<b>2.9x</b>
Net Earned Premiums	378.4	813.0	1,393.8	<b>3.7x</b>

Financial Strength (\$m)	2002	2006	3Q '16	'02-3Q'16 Factor
<b>Total Assets</b>	<b>\$2,208.9</b>	<b>\$3,721.5</b>	<b>\$7,181.1</b>	<b>3.3x</b>
Total Investments	1,181.3	2,514.1	4,313.6	<b>3.7x</b>
Shareholder's Equity	327.7	847.7	1,788.4	<b>5.5x</b>
BVPS <sup>1</sup>	\$17.58	\$29.36	\$59.65	<b>3.4x</b>
<b>Total Capital</b>	<b>\$327.7</b>	<b>\$992.0</b>	<b>\$2,157.8</b>	<b>6.6x</b>
Debt+TRUPs / Total Capital	0.0%	14.5%	17.1%	
A.M. Best Rating	A	A	A	

(1) Book value per common share:

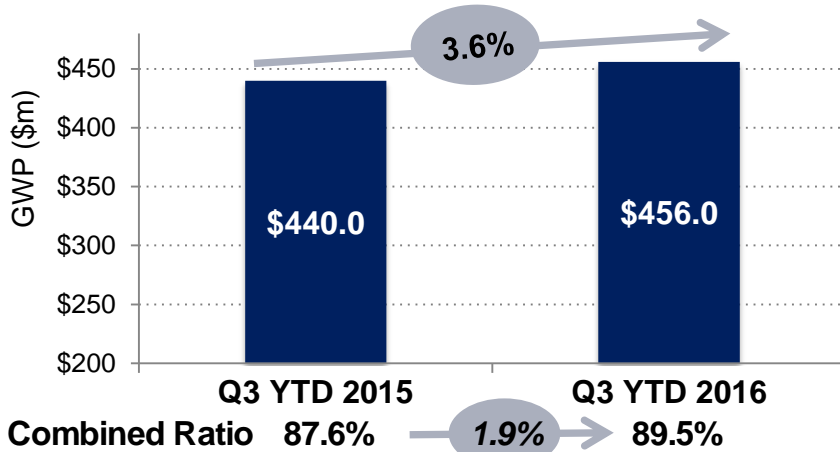
- Adjusted for June 2013, March 2015 and June 2016 stock dividend

- 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

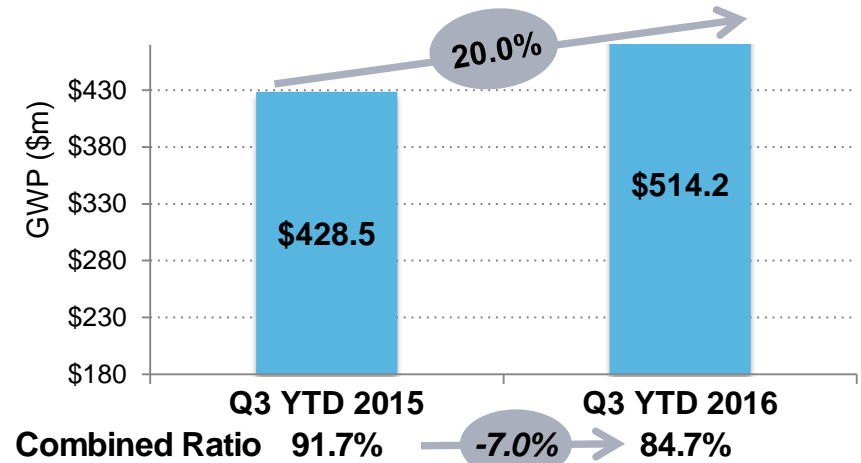
# 3Q YTD YoY Gross Written Premium & Combined Ratio

**Consolidated GWP up 6.4% and Combined Ratio increased 0.2% in Q3 YTD 2016 vs. Q3 YTD 2015**

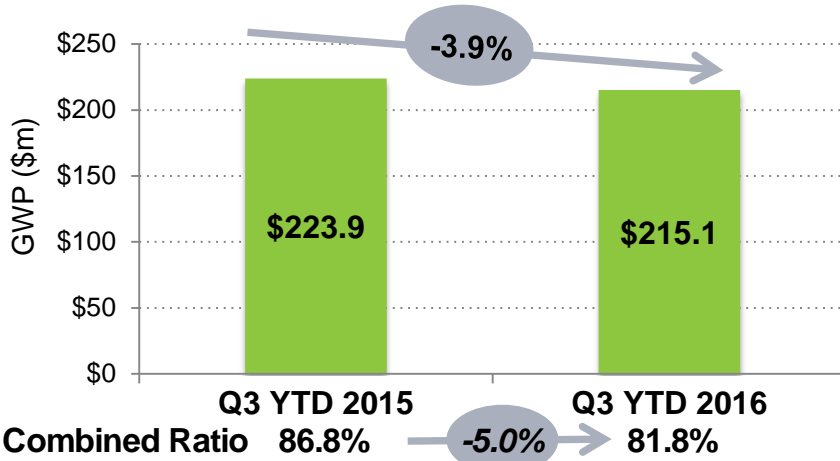
## Excess & Surplus Lines



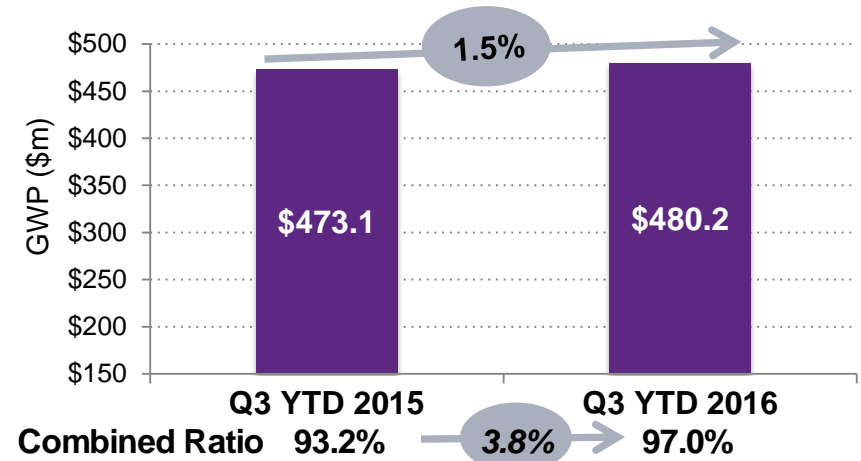
## Commercial Specialty



## International Specialty

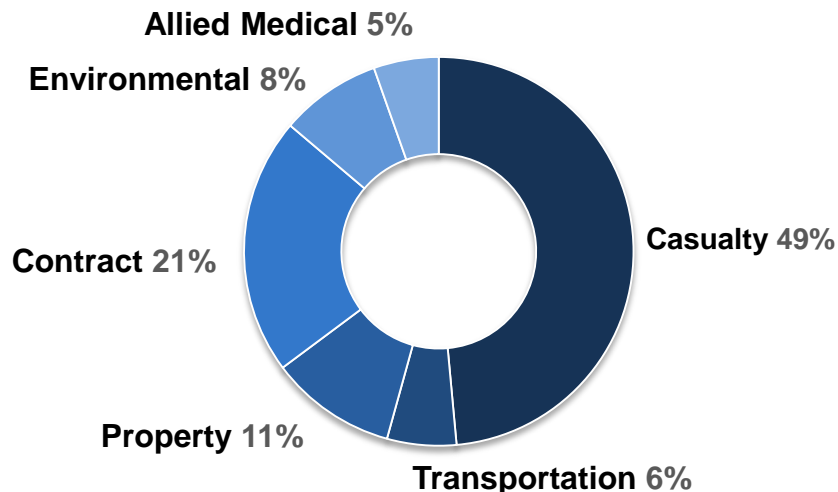


## Syndicate 1200



# Excess & Surplus Lines Segment *(27% of TTM GWP)*

## GWP by Business Unit (TTM 9/30/16)

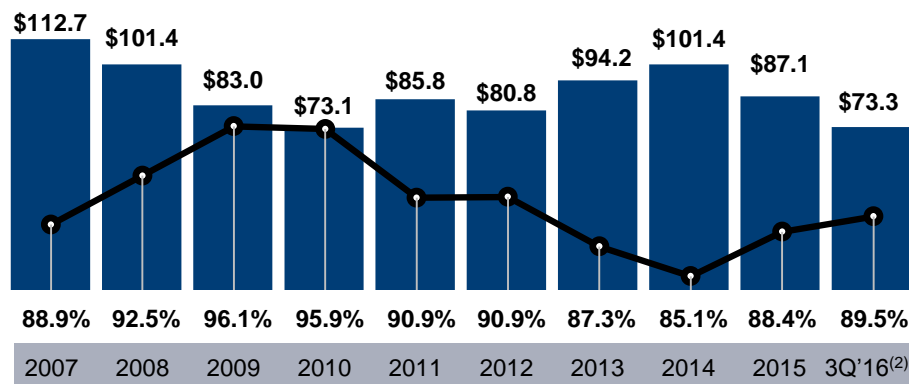


## About Us

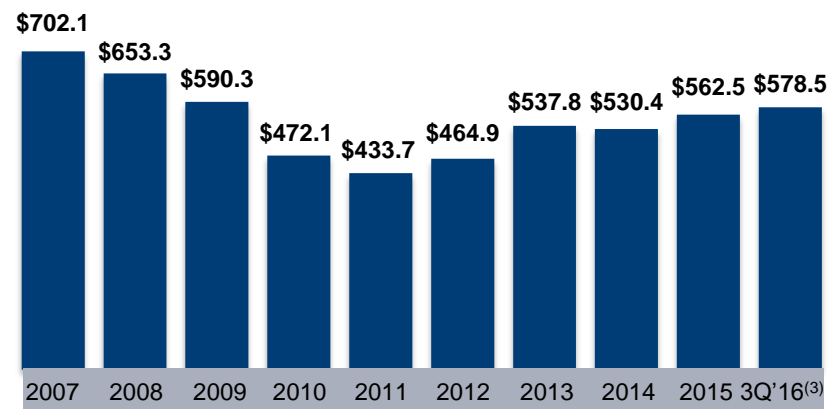
- Leader in U.S. Excess & Surplus Lines
- Strong relationships with national, local and regional wholesale brokers
- Seasoned U/W expertise is a competitive advantage
- Target all sizes of non-standard (hard-to-place) risks, with focus on small/medium accounts
- Underwrites on largely non-admitted basis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

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

—●— Combined Ratio  
■ PTOI



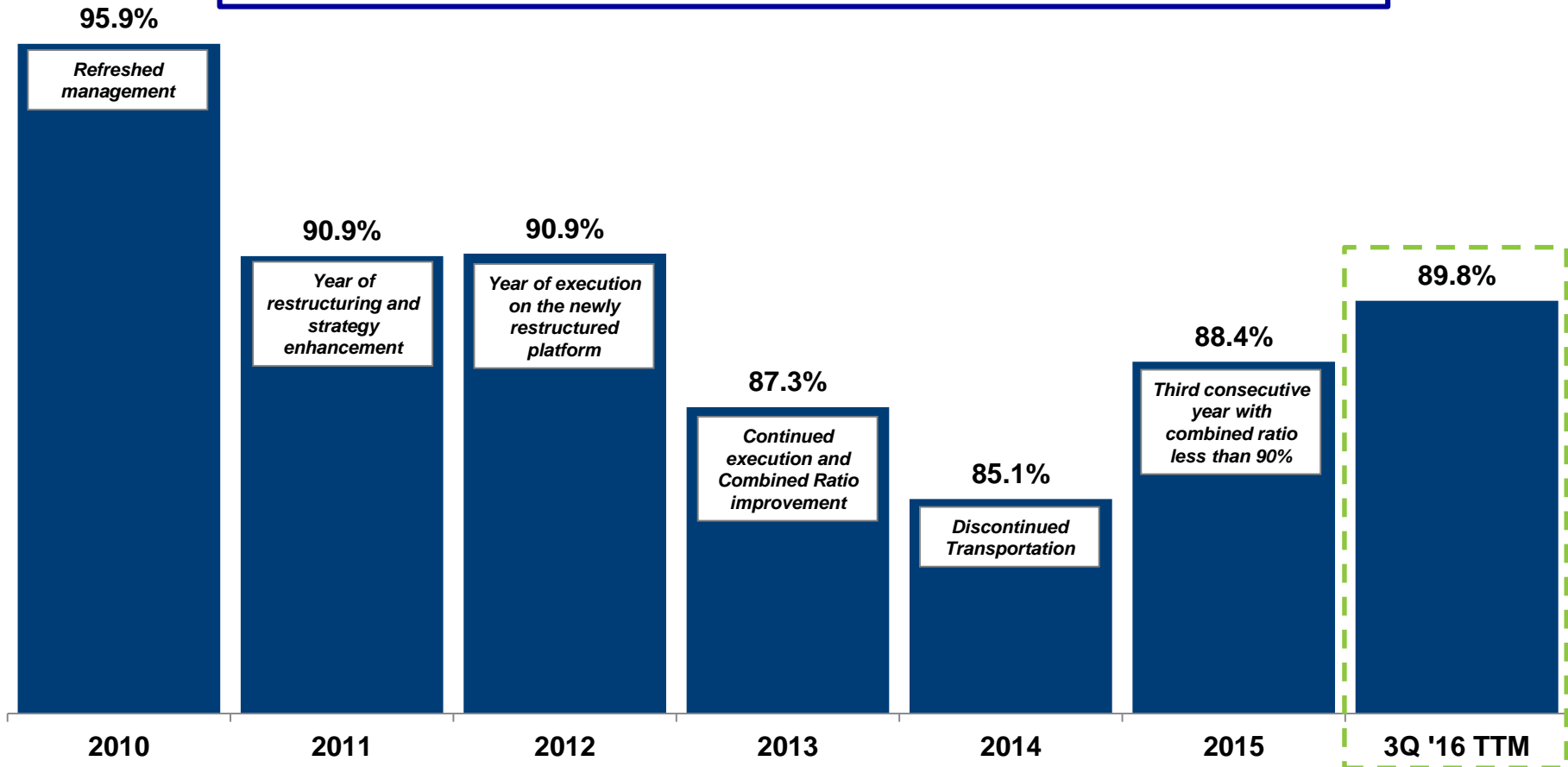
## Gross Written Premium



All data in millions except for ratio calculations. TTM = trailing twelve months.  
 Reflects reclassification of Argo Pro from Excess & Surplus lines to Commercial Specialty.  
 (1) PTOI = Pre-Tax Operating Income. Excludes interest expense.  
 (2) Data is based on year-to-date as of September 30, 2016.  
 (3) Data is based on trailing twelve months as of September 30, 2016.

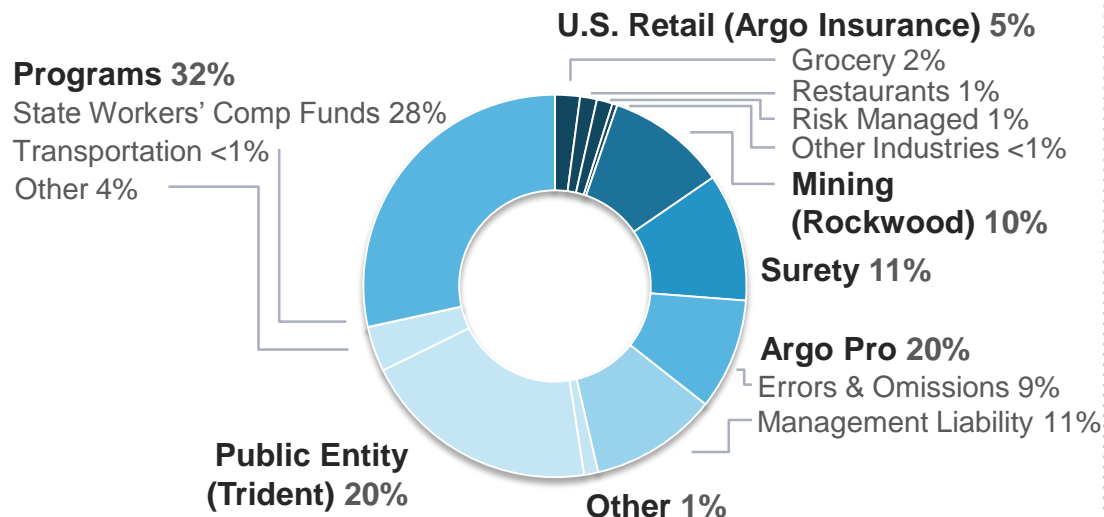
# E&S Operating Platform Enhancement

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



# Commercial Specialty Segment (32% of TTM GWP)

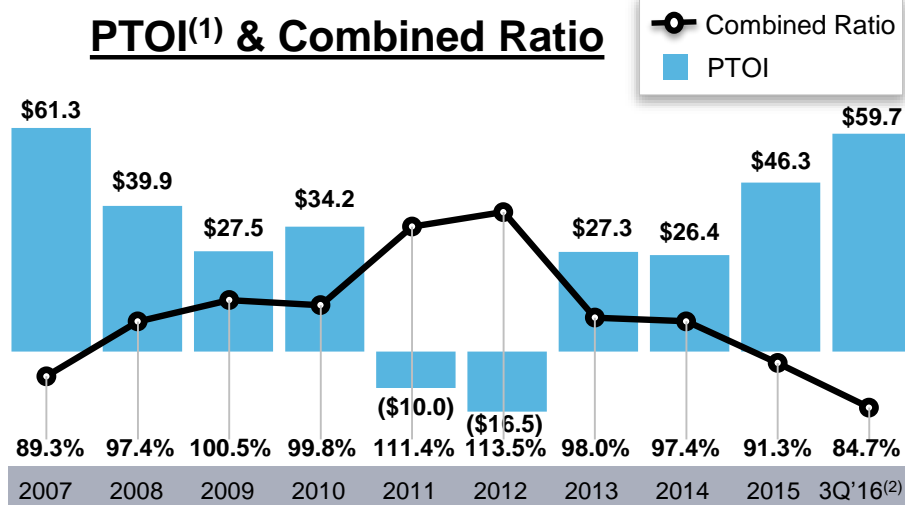
## GWP by Business Unit (TTM 9/30/16)



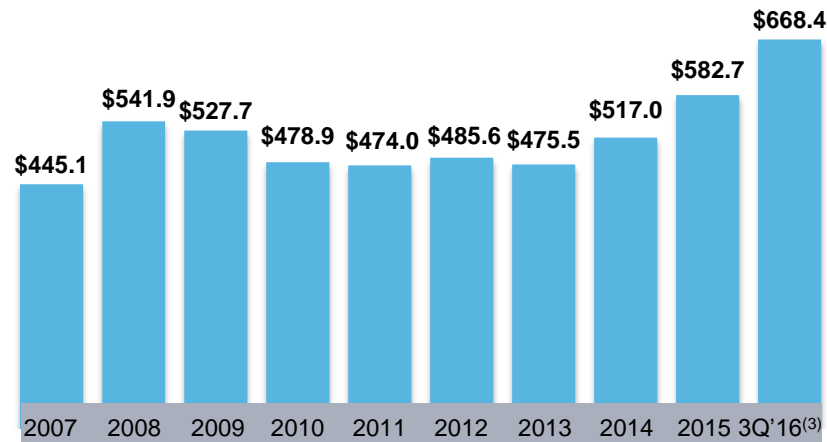
## About Us

- 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
- Argo Pro – Innovative D&O and E&O specialty platform

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



## Gross Written Premium



All data in millions except for ratio calculations. TTM = trailing twelve months.

Reflects reclassification of Argo Pro from Excess & Surplus lines to Commercial Specialty.

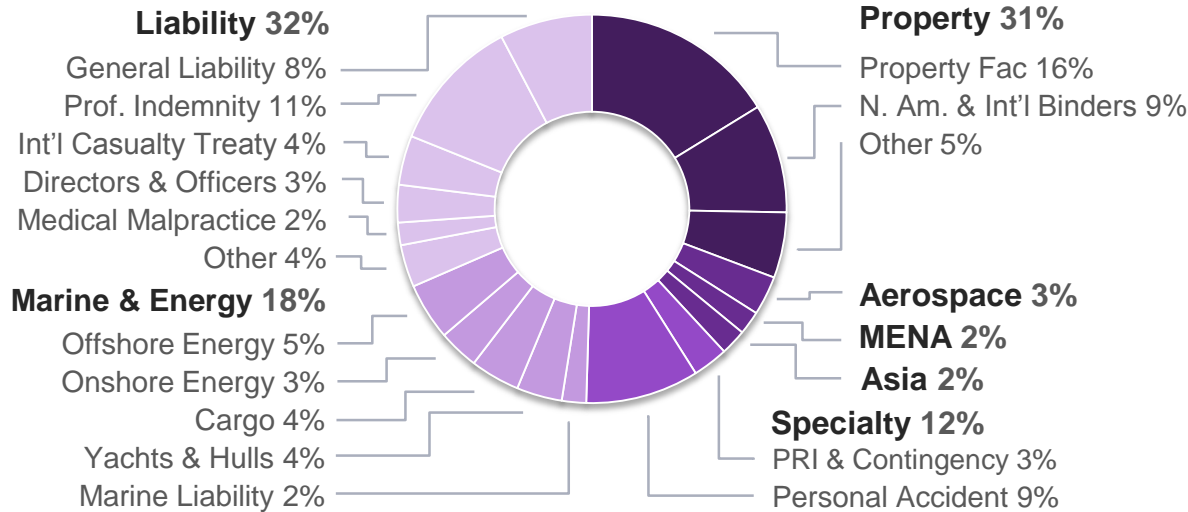
(1) PTOI = Pre-Tax Operating Income. Excludes interest expense.

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(3) Data is based on trailing twelve months as of September 30, 2016.

# Syndicate 1200 Segment (29% of TTM GWP)

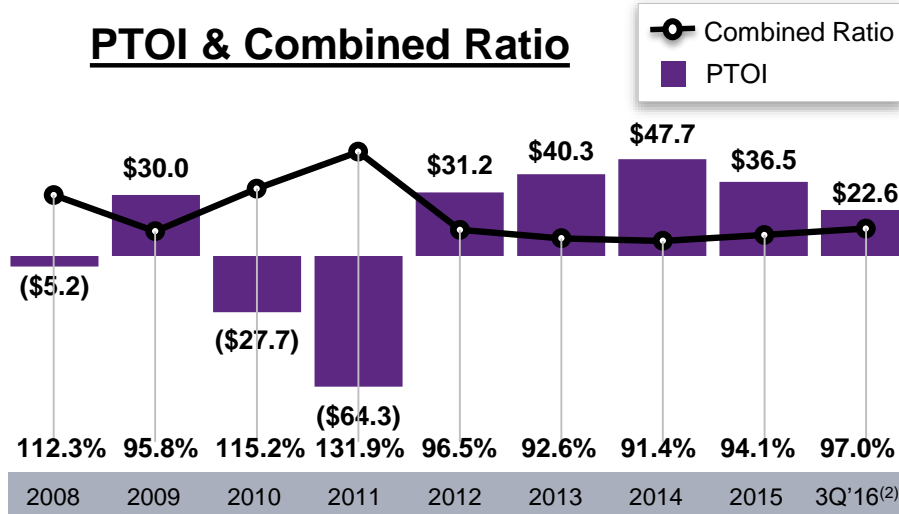
## GWP by Business Unit (TTM 9/30/16)



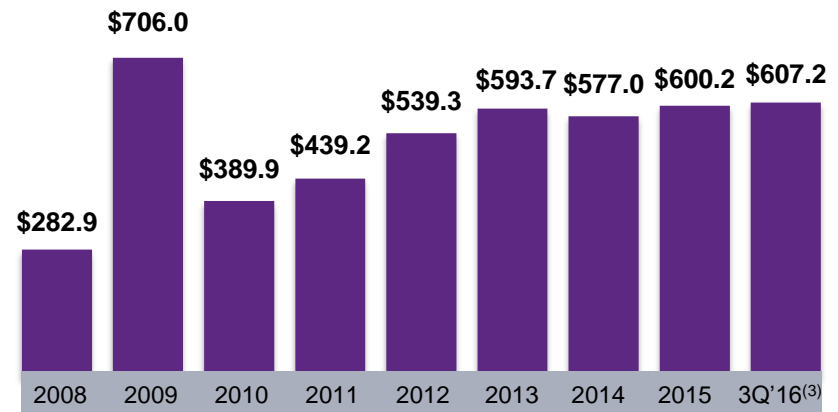
## About Us

- 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



All data in millions except for ratio calculations. TTM = trailing twelve months.

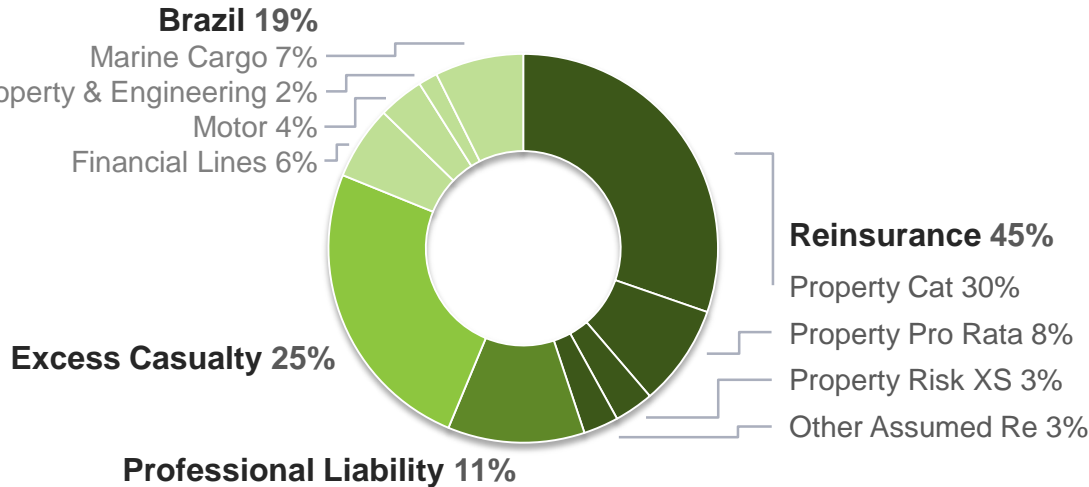
(1) PTOI = Pre-Tax Operating Income. Excludes interest expense.

(2) Data is based on year-to-date as of September 30, 2016.

(3) Data is based on trailing twelve months as of September 30, 2016.

# International Specialty Segment (12% of TTM GWP)

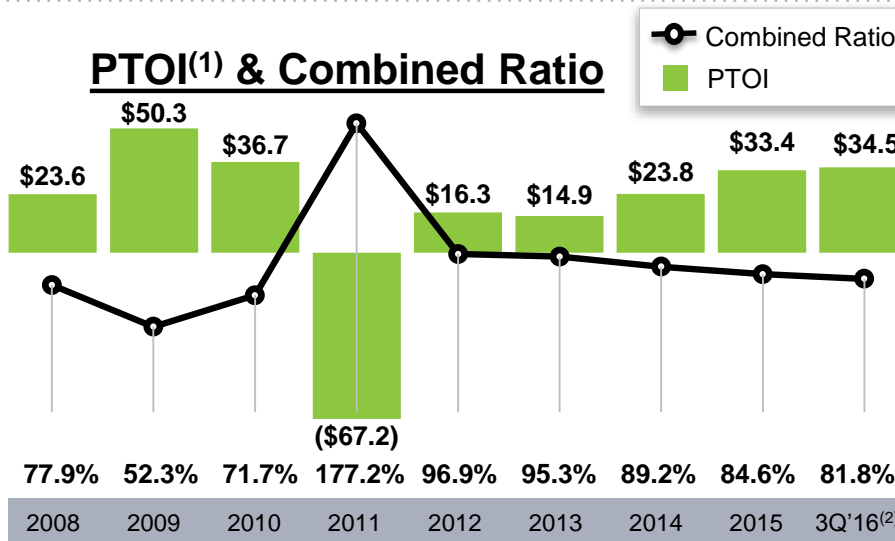
## GWP by Business Unit (TTM 9/30/16)



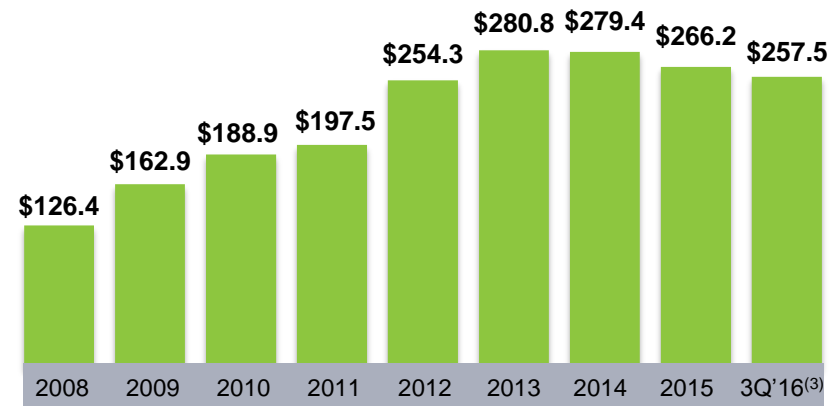
## About Us

- **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<sup>(1)</sup> & Combined Ratio



## Gross Written Premium



All data in millions except for ratio calculations. TTM = trailing twelve months.

(1) PTOI = Pre-Tax Operating Income. Excludes interest expense.

(2) Data is based on year-to-date as of September 30, 2016.

(3) Data is based on trailing twelve months as of September 30, 2016.



# 3Q 2016 Operating Results

	3Q 2016	3Q 2015	3Q 2016 YTD	3Q 2015 YTD
Gross Written Premiums	\$585.4	\$531.4	\$1,665.8	\$1,565.9
Net Written Premiums	415.3	386.2	1,106.7	1,093.8
Earned Premiums	358.7	346.0	1,048.5	1,026.6
Losses and Loss Adjustment Expenses	207.8	200.0	596.0	574.3
Underwriting, Acquisition and Insurance Expenses	137.4	132.8	403.0	401.9
<b>Underwriting Income</b>	<b>\$13.5</b>	<b>\$13.2</b>	<b>\$49.5</b>	<b>\$50.4</b>
Net Investment Income	32.7	18.4	89.6	68.5
Fee and other income (expense), net	1.7	1.0	2.1	(0.1)
Interest Expense	4.9	4.8	14.6	14.3
<b>Operating Income</b>	<b>\$43.0</b>	<b>\$27.8</b>	<b>\$126.6</b>	<b>\$104.5</b>
Net Realized Investment and Other Gains	17.7	6.6	12.8	20.4
Foreign Currency Exchange Gain (Loss)	1.5	1.8	(4.5)	8.4
<b>Income Before Taxes</b>	<b>\$62.2</b>	<b>\$36.2</b>	<b>\$134.9</b>	<b>\$133.3</b>
Income Tax Provision	7.0	0.9	21.1	11.3
<b>Net Income</b>	<b>\$55.2</b>	<b>\$35.3</b>	<b>\$113.8</b>	<b>\$122.0</b>
<b>Operating Income per Common Share (Diluted)<sup>1</sup></b>	<b>1.12</b>	<b>0.71</b>	<b>3.28</b>	<b>2.66</b>
<b>Net Income per Common Share (Diluted)</b>	<b>\$1.80</b>	<b>\$1.13</b>	<b>\$3.68</b>	<b>\$3.89</b>
Loss Ratio <sup>2</sup>	57.9%	57.8%	56.8%	55.9%
Expense Ratio <sup>3</sup>	38.3%	38.4%	38.4%	39.1%
<b>Combined Ratio</b>	<b>96.2%</b>	<b>96.2%</b>	<b>95.2%</b>	<b>95.0%</b>

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

(1) Op income calculated using an assumed tax rate of 20%. Share count adjusted for June 2016 stock dividend

(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 September 30, 2016

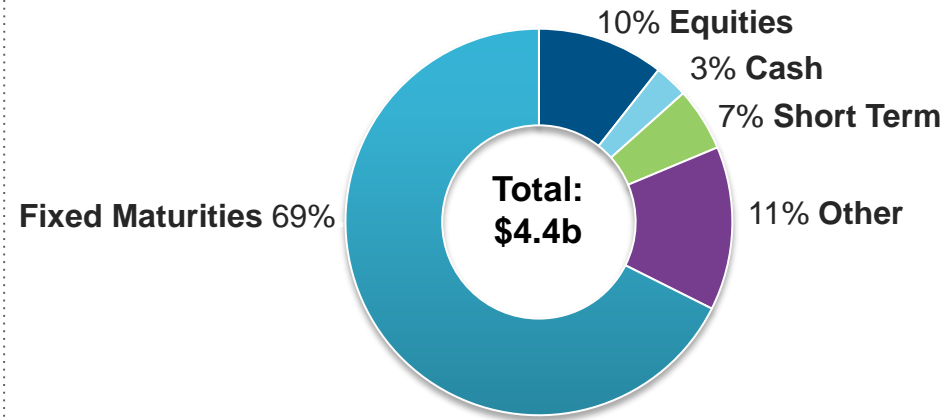
## Portfolio Characteristics

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

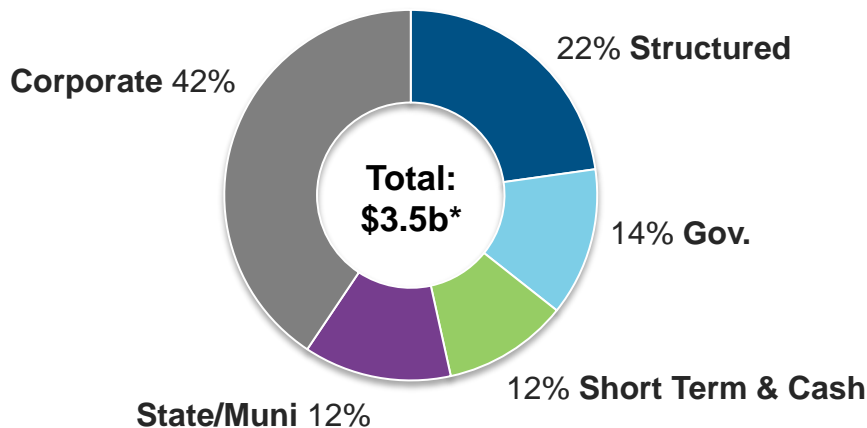
\*Book yield is pre-tax & includes all fixed maturities

\*Duration includes cash & equivalents

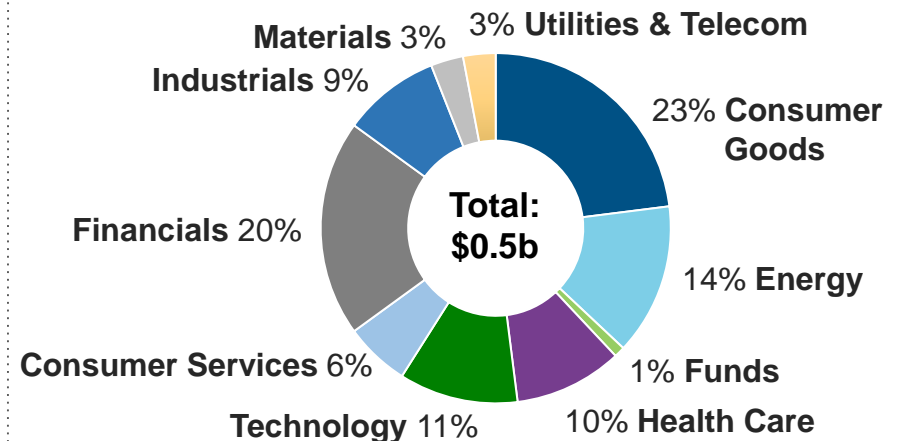
## Asset Allocation



## Fixed Maturities by Type



## Equity Investments by Sector

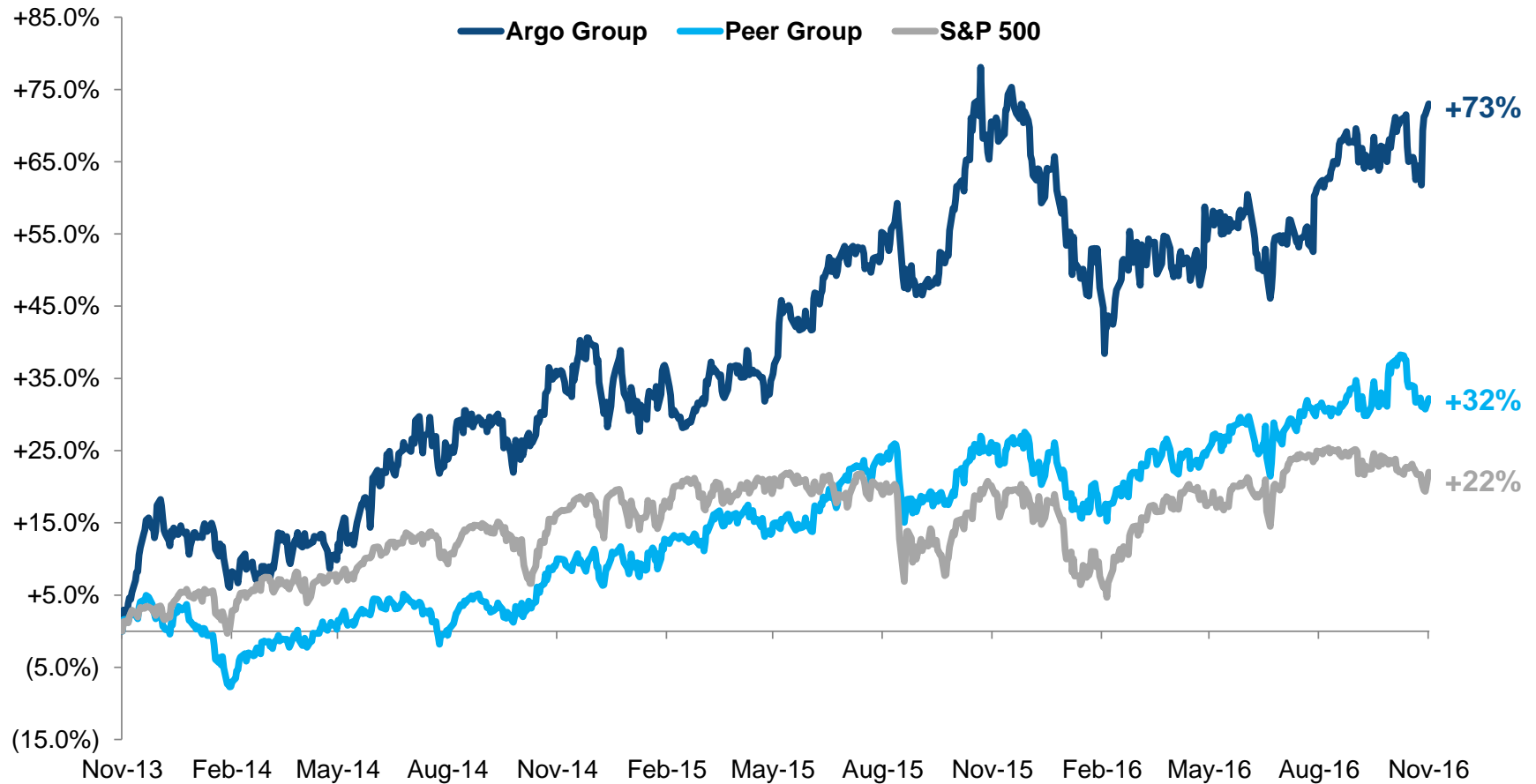


# Active Capital Management

**Through share repurchases and dividends, we have returned \$487 million of capital and repurchased 32% of shares outstanding from 2010 through 3Q 2016**

	2010	2011	2012	2013	2014	2015	Q3 YTD 2016	2010-Q3'16 Total
Total Shares O/S	31,206,796	31,285,469	31,384,271	34,066,889	34,318,224	37,105,922	39,980,160	
Less: Treasury Shares	3,363,560	4,971,305	6,459,613	7,558,345	8,606,489	9,181,644	9,996,840	
<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>29,983,320</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>815,196</b>	<b>9,850,841</b>
<i>As % of Beg. Net Shares</i>	10%	6%	6%	4%	4%	2%	3%	32%
Avg. Repurchase Price/sh	\$33.05	\$30.69	\$29.89	\$42.32	\$48.45	\$51.55	\$55.63	\$37.68
<b>Total Repurchased (\$mm)</b>	<b>\$105.2</b>	<b>\$49.5</b>	<b>\$44.2</b>	<b>\$46.5</b>	<b>\$50.8</b>	<b>\$29.7</b>	<b>\$45.3</b>	<b>\$371.2</b>
Dividends/sh	\$0.48	\$0.48	\$0.48	\$0.60	\$0.69	\$0.82	\$0.66	\$4.21
<b>Dividend Payments (\$mm)</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>\$19.8</b>	<b>\$116.1</b>
<b>Repurchases + Dividends (\$mm)</b>	<b>\$119.4</b>	<b>\$62.6</b>	<b>\$56.5</b>	<b>\$62.3</b>	<b>\$68.9</b>	<b>\$52.4</b>	<b>\$65.1</b>	<b>\$487.2</b>

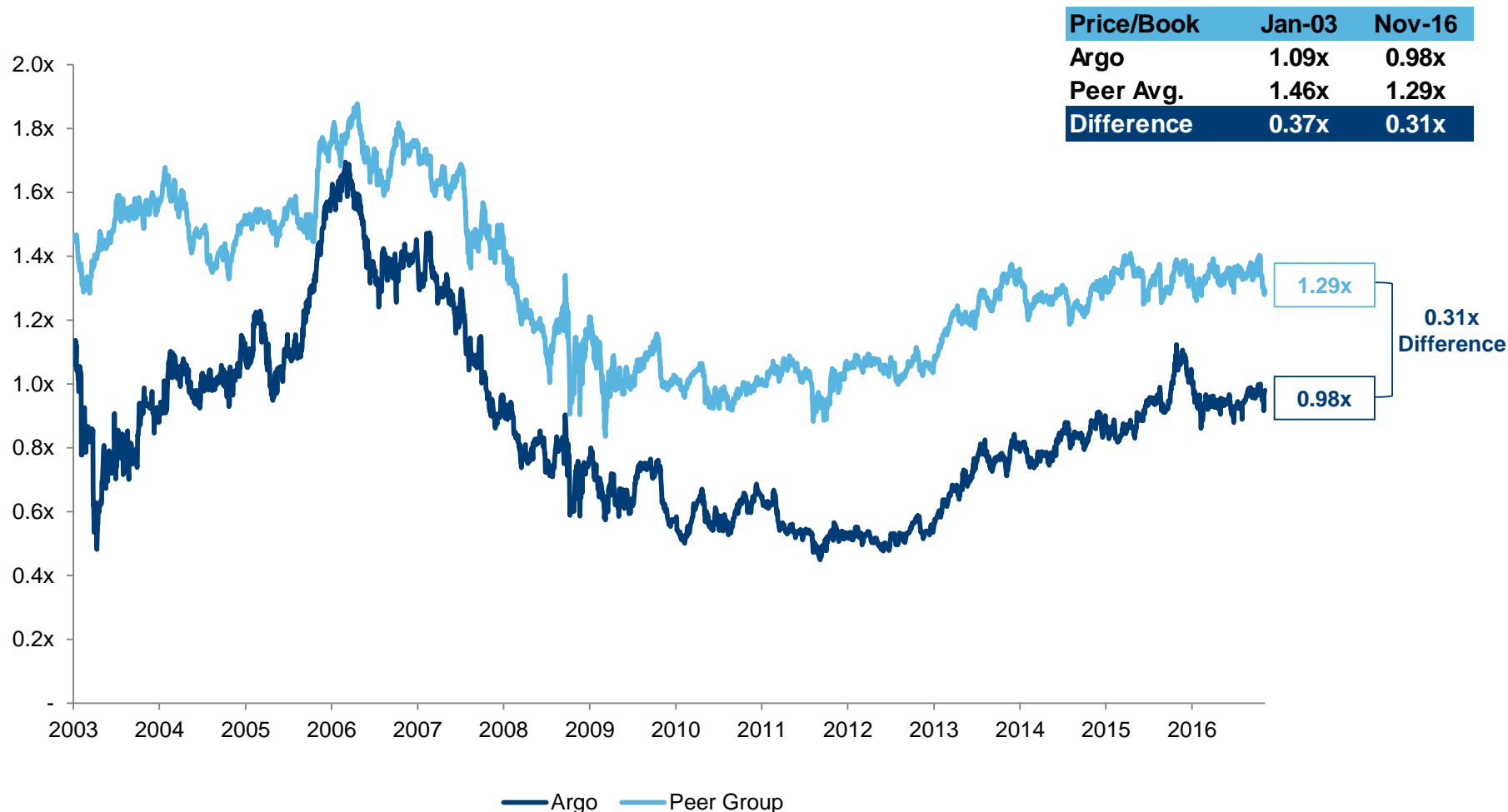
# Stock Price Performance – Last 3 Years



Source: SNL Financial (as of 11/07/16).

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 11/07/16).

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