

# 2017 Investor Presentation

# Q2



# Arto



ARGO GROUP

# 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) cyclical nature 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 finance;
- 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 judgments and reflect a combination of ground-up evaluations, information available to date from brokers and pedants, 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 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 Commissions (“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 forward-looking statements, whether as a result of new information, future developments or otherwise.

# Argo Group at a Glance



Atlanta • Bermuda • Boston • Brussels • Chicago • Dallas • Denver • Dubai • Fresno • Hamilton Township  
 Hong Kong • 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 • Shanghai • Singapore • Springfield • Zurich

Note: Market information as of August 31, 2017 and annual performance figures as of TTM June 30, 2017.

**EXCHANGE / TICKER:**  
NASDAQ / AGII

**SHARE PRICE:**  
\$60.20

**MARKET CAPITALIZATION:**  
\$1.8 BILLION

**QUARTERLY DIVIDEND / ANNUAL YIELD:**  
\$0.27 PER SHARE / 1.8%

**GROSS WRITTEN PREMIUM:**  
\$2.4 BILLION

**CAPITAL:**  
\$2.5 BILLION

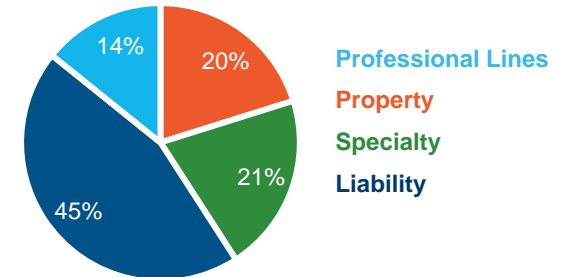
**ANALYST COVERAGE:**  
 RAYMOND JAMES (STRONG BUY) – GREG PETERS  
 DOWLING & PARTNERS (NEUTRAL) – AARON WOOMER  
 JMP SECURITIES (MARKET PERFORM) – MATT CARLETTI  
 KBW (MARKET PERFORM) – ARASH SOLEIMANI  
 WILLIAM BLAIR (MARKET PERFORM) – ADAM KLAUBER

# Leading Specialty Platform

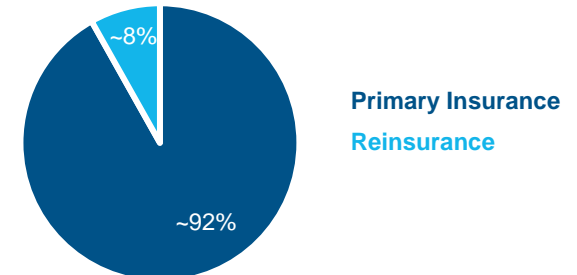
## Argo Franchise Overview

- **Global underwriter of specialty insurance and reinsurance**
- **Strategically located in major insurance centers**
  - Across the U.S.
  - Bermuda
  - London
  - Zurich
  - Dubai
  - Singapore
- **Established presence in desirable markets**
  - Leader in U.S. excess and surplus lines
  - Strong U.S. retail specialty franchise
  - Will be a top 10 Lloyd's Syndicate in 2018
  - Leading Bermuda insurance and reinsurance platforms
- **Diversified by geography, product and strategy**
- **Broad and strong producer relationships**
  - Agents, brokers, wholesalers and coverholders
- **“A” (excellent) A.M. Best rating**

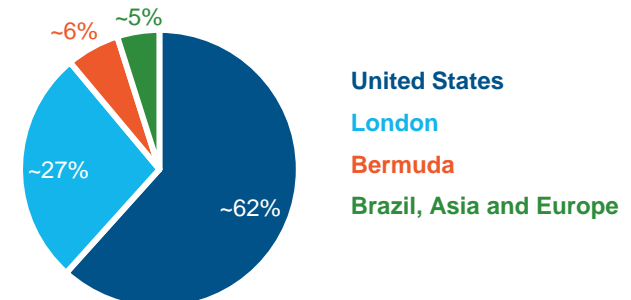
### TTM\* NWP\*\* by Business Mix



### TTM NWP by Business Type



### TTM NWP by Geography



\*TTM = trailing twelve months

\*\*NWP = net written premiums

# Strategy Aligned Toward Shareholder Value

*Growth in BVPS = Net Underwriting Margin + Total Return on Invested Assets*

- **Sustainable competitive advantages**

- Successfully operating in niche markets
- Underwriting expertise with a focus on risk selection
- Superior customer service across platforms
- History of product innovation

- **Profitable organic and strategic growth**

- Profitable through underwriting cycles
- 7.1 point improvement in loss ratio from 2012 to 2016
- Talented underwriting teams with proven track record
- Disciplined M&A strategy

- **Deep, tenured and experienced management team**

- Senior leadership team has an averages more than 10 years at Argo and over 26 years of industry experience
- CEO largest individual shareholder, holds 3.25% of shares outstanding
- Compensation structure for underwriters aligned with loss ratio performance

- **Capital management a key driver in value creation**

- Practice total return investment strategies
- Strong track record of returning capital to shareholders

**Maximize Shareholder  
Value Creation  
Through Growth in  
Book Value per Share**

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***10% CAGR including  
dividends over last 15  
years***

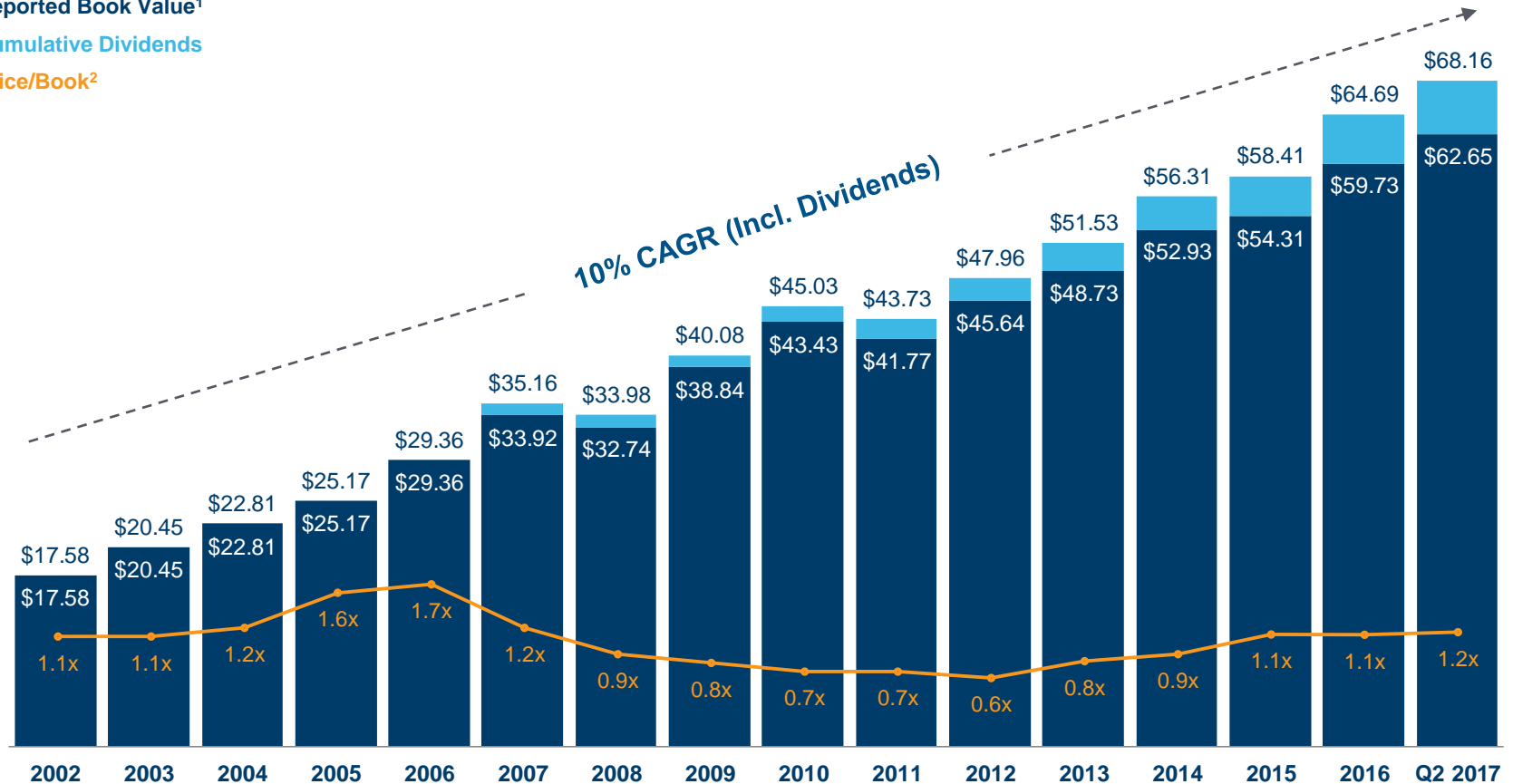
# Maximizing Shareholder Value - BVPS Growth

*BVPS Growth Driven by Net Underwriting Margin and Total Return Investment Strategy*

Reported Book Value<sup>1</sup>

Cumulative Dividends

Price/Book<sup>2</sup>

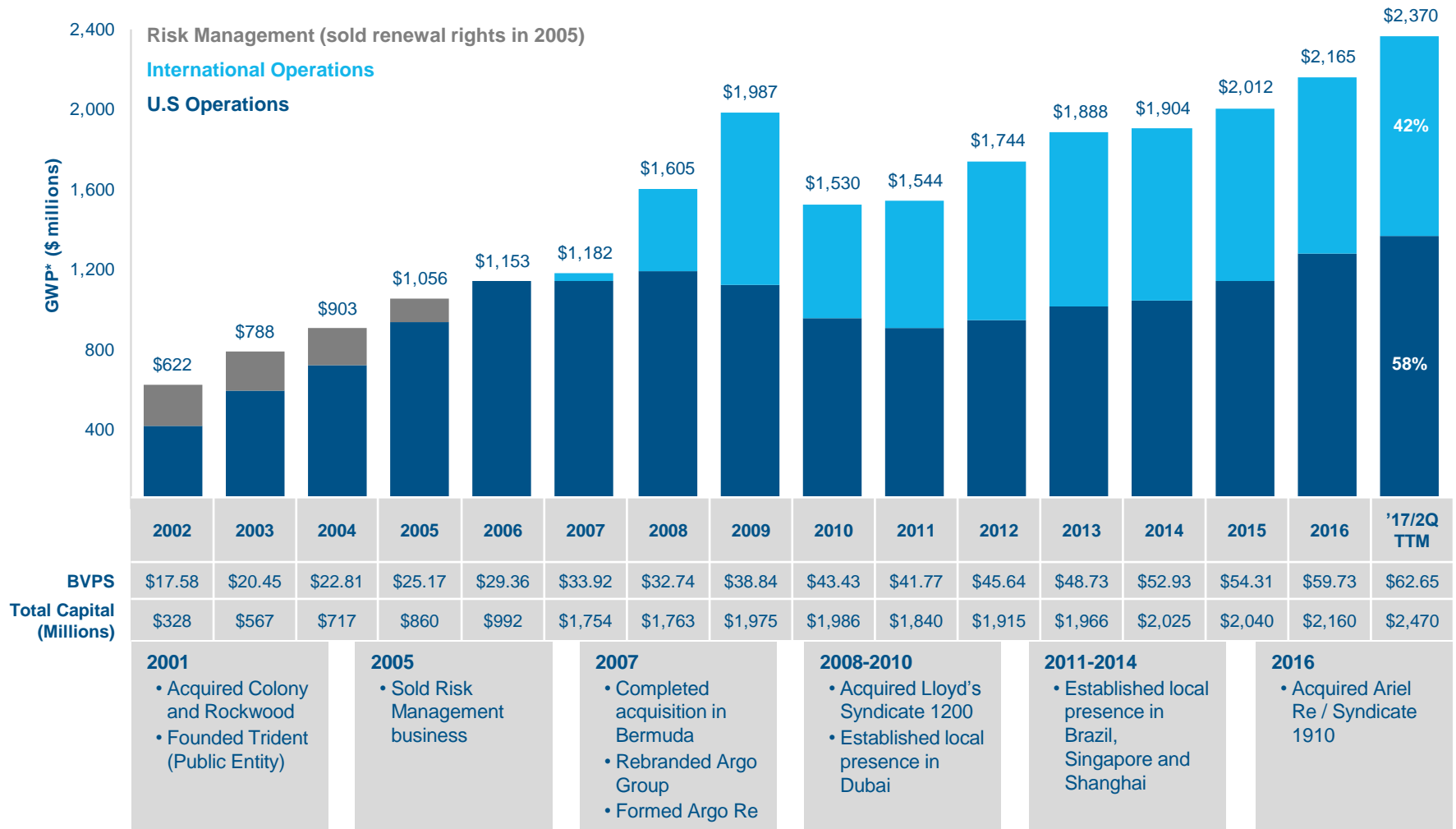


(1) Book value per common share:

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

# Evolution of Growth and Diversification



\*Excludes GWP recorded in runoff and corporate and other.

Note: BVPS (book value per common share) adjusted for June 2013, March 2015 and June 2016 stock dividend.

# Substantial Growth and Financial Strength

Scale (\$m)	2002	2006	TTM 2Q '17	'02-2Q'17 Factor
<b>Gross Written Premiums</b>	<b>\$622.1</b>	<b>\$1,155.6</b>	<b>\$2,370.2</b>	<b>3.8x</b>
Net Written Premiums	484.0	847.0	1,539.3	3.2x
Net Earned Premiums	378.4	813.0	1,499.5	4.0x

Financial Strength (\$m)	2002	2006	TTM 2Q '17	'02-2Q'17 Factor
<b>Total Assets</b>	<b>\$2,208.9</b>	<b>\$3,721.5</b>	<b>\$8,240.7</b>	<b>3.7x</b>
Total Investments	1,181.3	2,514.1	4,624.1	3.9x
Shareholder's Equity	327.7	847.7	1,891.3	5.8x
BVPS <sup>1</sup>	\$17.58	\$29.36	\$62.65	3.6x
<b>Total Capital</b>	<b>\$327.7</b>	<b>\$992.0</b>	<b>\$2,469.7</b>	<b>7.5x</b>
Debt+TRUPs / Total Capital	0.0%	14.5%	23.4%	
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



# Innovative and Diverse Global Platform

## U.S. Operations

### • Leader in U.S. Excess & Surplus lines

- 20+ year underwriting history
- Strong relationships with national, local, and regional wholesale brokers
- Seasoned underwriting expertise
- Target all sizes of non-standard risks with focus on small/medium accounts
- Underwrites on largely non-admitted basis and across all business enterprises

### • Sizable amount of business distributed through retail brokers / agents

- Argo Insurance – designs customized programs for retail grocery stores
- Trident – Small and medium sized public-sector U.S. entities
- Rockwood – Designs custom workers comp and other programs for businesses in the mining sector
- Surety – Top 20 commercial underwriter
- Programs – Underwrites select specialty programs and partners with State-sponsored funds

## International Operations

### • Well-established multi-class Lloyd's Syndicate platform

- Syndicate 1200 – Multi-class platform
- Syndicate 1910 – Property, Specialty Insurance and Reinsurance platform
- Expected to rank among top 10 largest Syndicates at Lloyd's by stamp capacity in 2018
- Regional offices in Bermuda, Dubai, Singapore and Shanghai

### • Strong Bermuda trading platform

- Includes property insurance and reinsurance business in Bermuda and Brazil
- Seasoned book of mid / large account professional lines and excess casualty business
- Building diversity through international expansion in Brazil and throughout Europe

### • Brazil – Digital Innovation

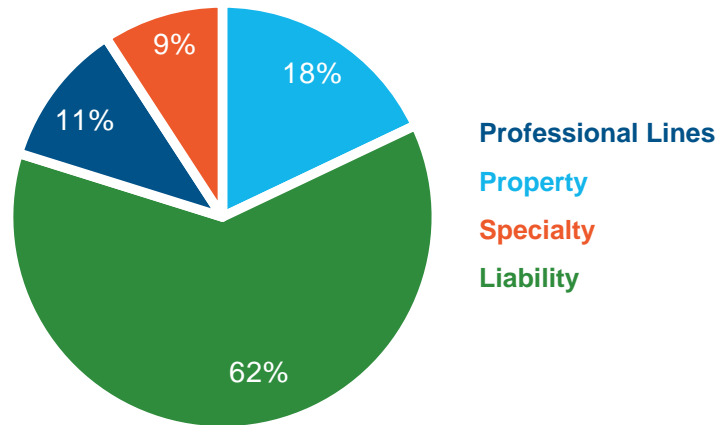
- A growing portion of the business being distributed via digital channels through the in-house Protector platform

# Multi-Channel Distribution Strategy

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

# U.S. Operations *(58% of TTM GWP)*

## GWP by Business Mix (TTM 6/30/2017)

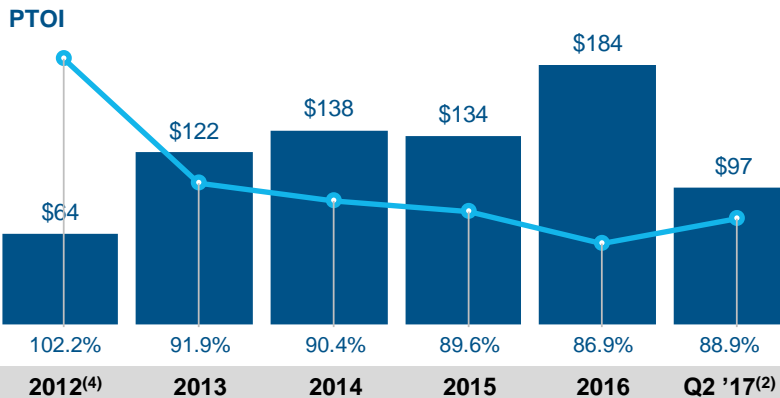


## About Us

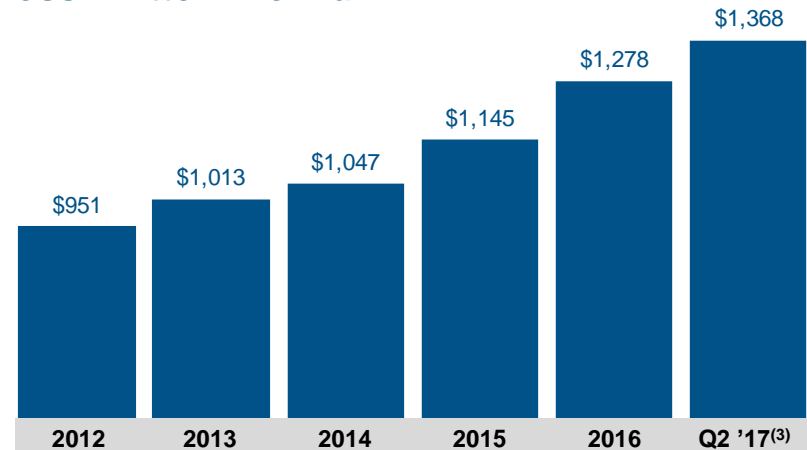
- **Excess & Surplus Lines** – Non-standard (hard-to-place) risks, with focus on small/medium accounts
- **Argo Insurance** – Designs customized commercial insurance programs for retail grocery stores
- **Trident** – One of the largest specialty commercial insurance providers for small to middle market public-sector entities in the U.S.
- **Rockwood** – Leading provider of workers compensation and other programs for the mining industry
- **Surety** – Top 20 commercial surety writer
- **Programs** – Underwrites select specialty programs and provides fronting for state-sponsored funds
- **Argo Pro** – Customer service focused D&O and E&O specialty platform

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

### 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.

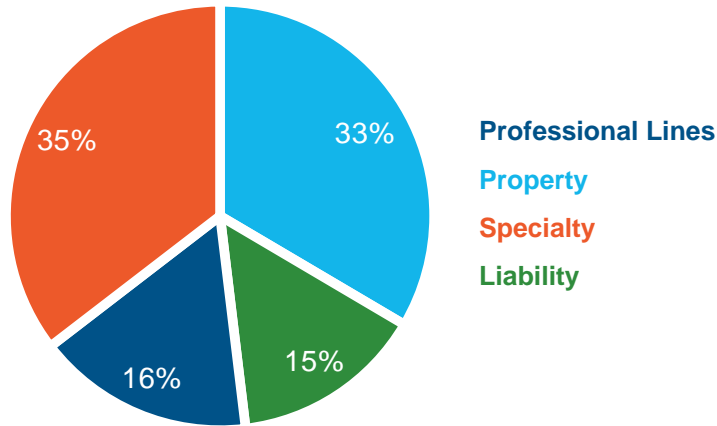
(2) Data is based on year-to-date as of June 30, 2017.

(3) Data is based on trailing twelve months as of June 30, 2017.

(4) Reflects reserve charge at Argo Insurance to restructure business

# International Operations *(42% of TTM GWP)*

## GWP by Business Mix (TTM 6/30/2017)



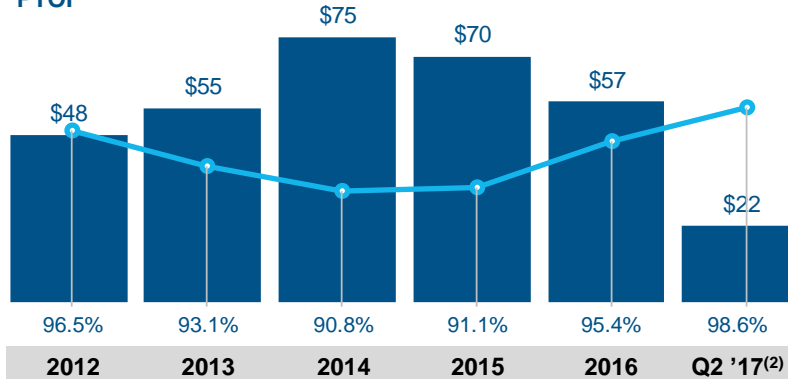
## About Us

- **Bermuda platform underwrites excess casualty, property and professional lines insurance as well as property reinsurance**
  - Property cat, short tail per risk and proportional treaty reinsurance worldwide
  - Excess casualty, professional liability, and property insurance for Fortune 1000 accounts
- **Building diversity through international expansion in Brazil and throughout Europe**
- **Well-established multi-class platform at Lloyd's of London**
  - Underwritten through Syndicates 1200 and 1910 (Ariel Re)
  - Expected to rank among top 10 largest Syndicates by stamp capacity in 2018

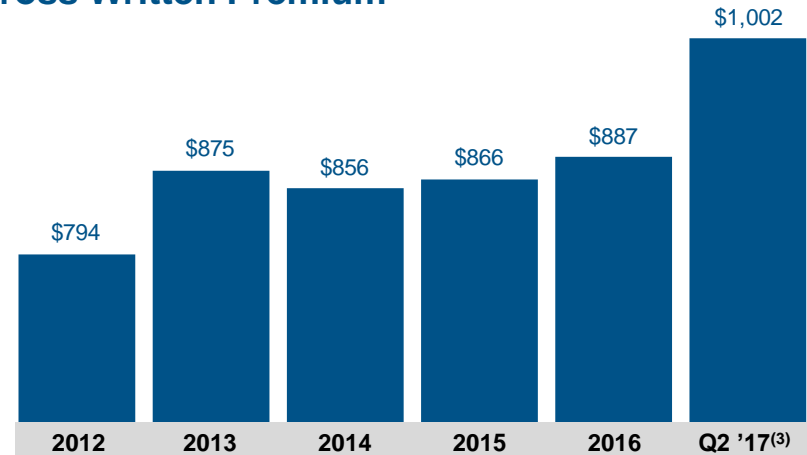
## PTOI<sup>(1)</sup> & Combined Ratio

### Combined Ratio

### PTOI



## Gross Written Premium



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

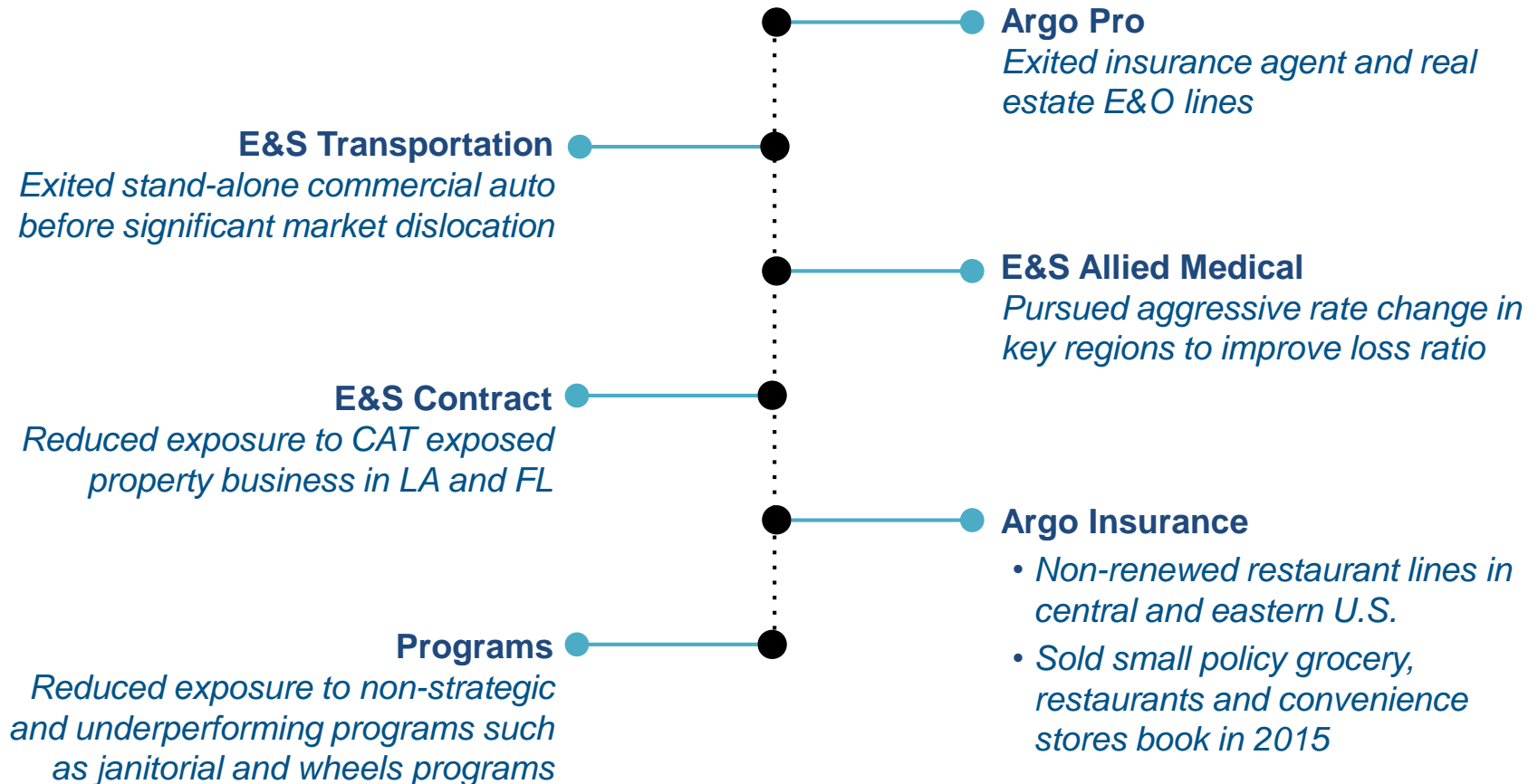
(1) PTOI = Pre-Tax Operating Income. Excludes interest expense.

(2) Data is based on year-to-date as of June 30, 2017.

(3) Data is based on trailing twelve months as of June 30, 2017.

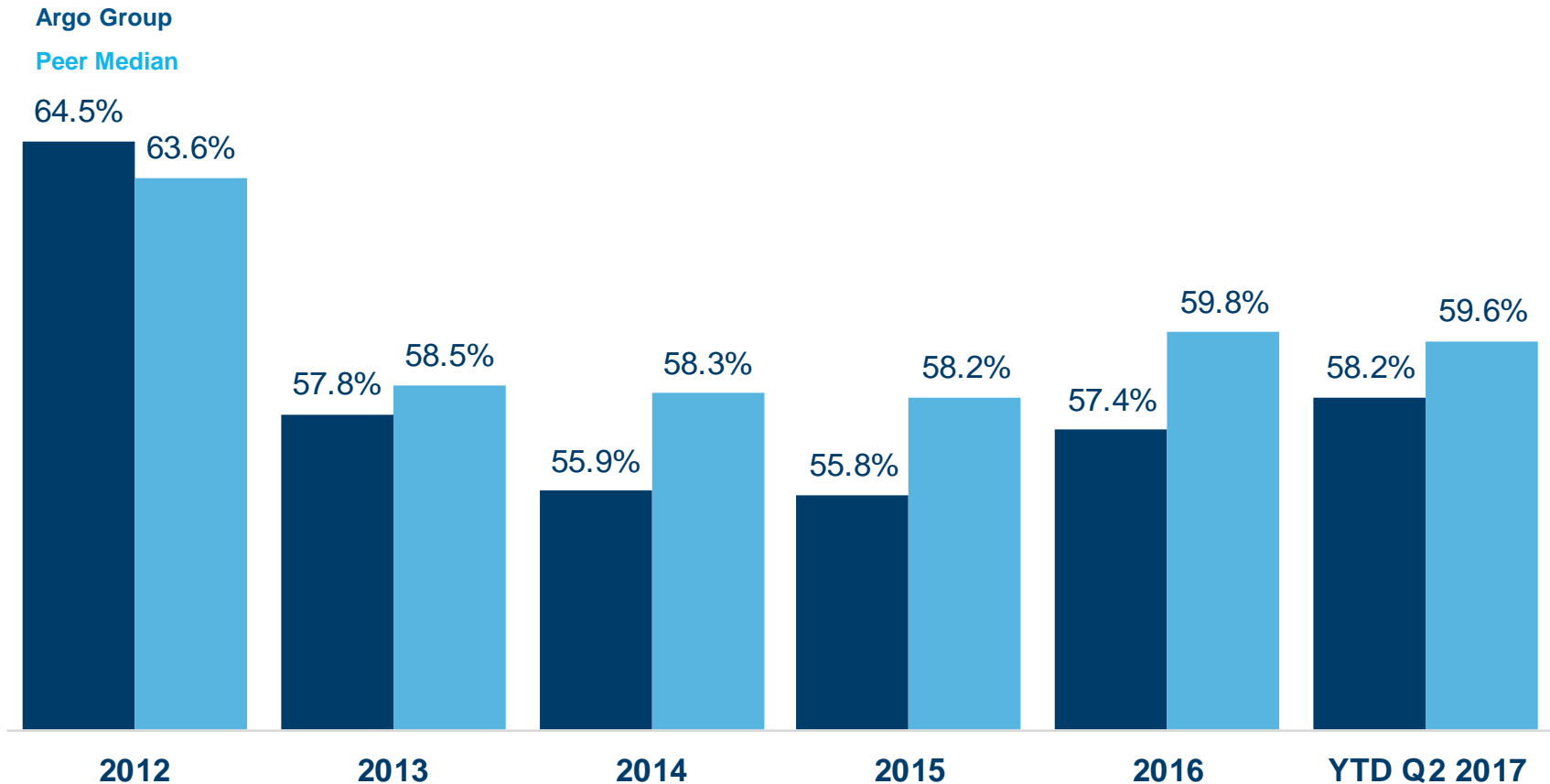
# Portfolio Rationalization

*Argo has maintained a track record of making thoughtful decisions to improve performance within existing product lines; Below are examples of prior portfolio rationalization that is now evident in financial results*



# Superior Loss Ratios Compared to Peers

*Continued focus on cycle management and underwriting discipline has provided Argo Group with best in class loss ratios*

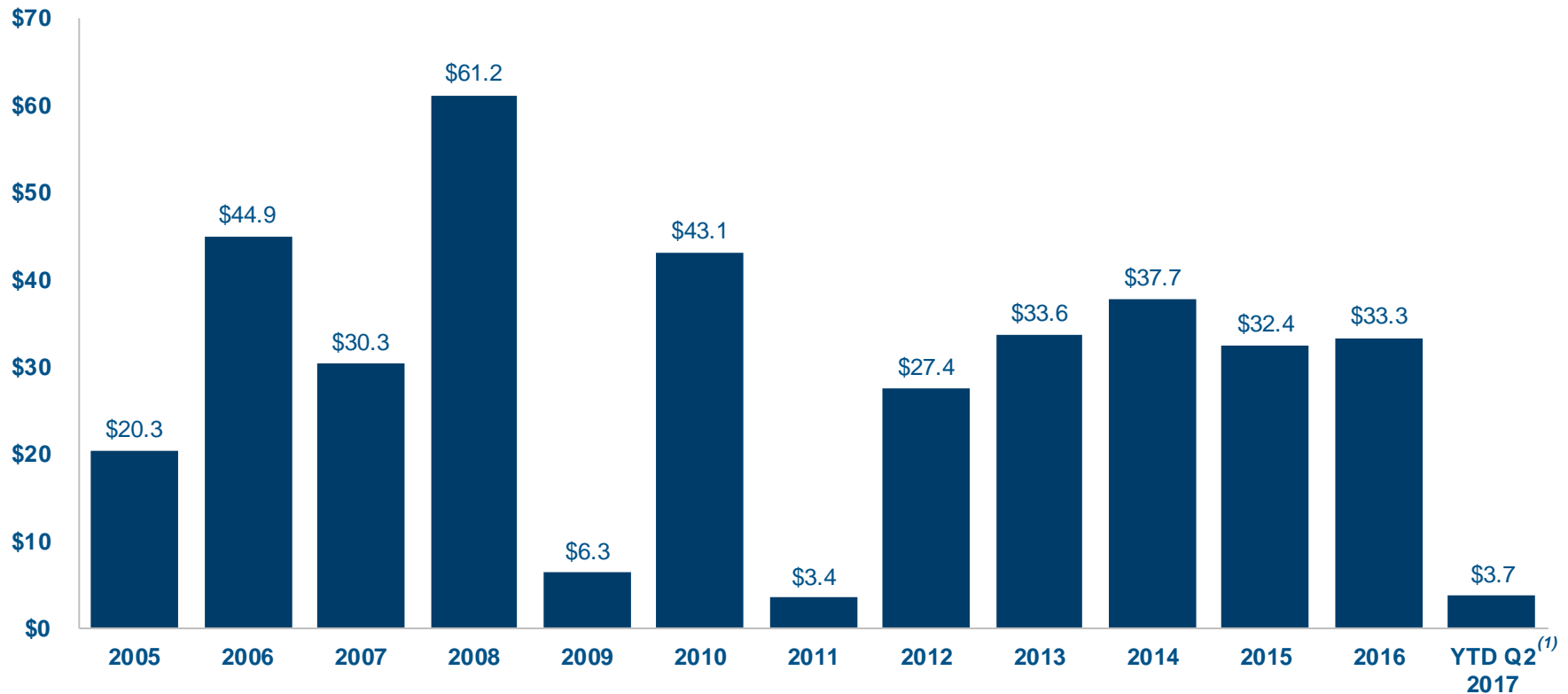


Source: SNL Financial.

Note: Peer Group consists of: Alleghany, American Financial, Amtrust, Arch Capital, Aspen, Axis, Baldwin & Lyons, Global Indemnity, Hallmark, Hanover, James River, Markel, Navigators, RLI, Selective, Validus and W.R. Berkley

# Long-Term Favorable Reserve Development

*\$378<sup>(1)</sup> million of cumulative favorable development since 2005 reflects Argo Group's prudent reserving philosophy*



(1) Excludes Q1 adverse development of \$4.5 million from the Ogden rate change and \$4.9 million from late reported Hurricane Matthew claims

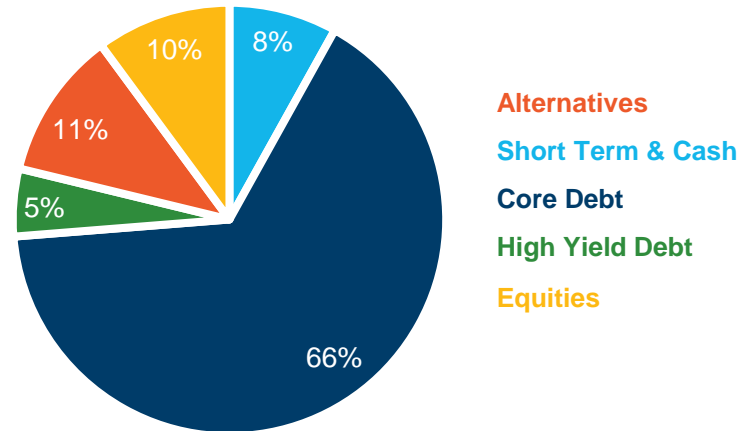
# Well-Balanced Investment Strategy

## Portfolio Characteristics

- Duration of 2.2 years<sup>(1)</sup>
- Average rating of 'A1/A+'
- Book yield of 2.5%<sup>(2)</sup>

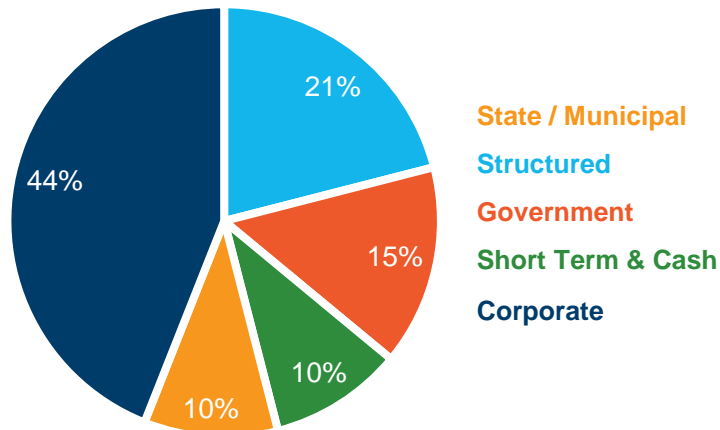
## Asset Allocation

Total: \$4.8B



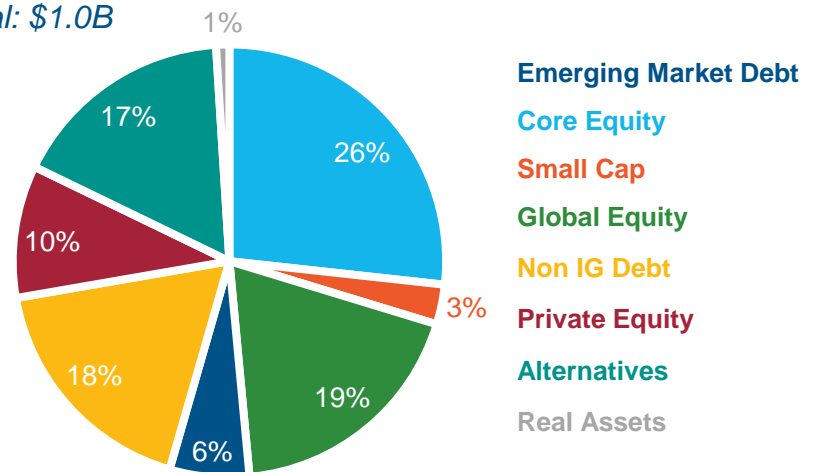
## Fixed Maturities by Type

Total: \$3.9B<sup>(3)</sup>



## Capital Appreciation Portfolio by Class

Total: \$1.0B



(1) Duration includes cash & equivalents

(2) Book yield is pre-tax & includes all fixed maturities

(3) \$3.3B in fixed maturities, \$0.6B in short term & cash



# 2Q 2017 Operating Results

	2Q 2017	2Q 2016	2Q 2017 YTD	2Q 2016 YTD
Gross Written Premiums	\$687.2	\$560.6	\$1,285.8	\$1,080.4
Net Written Premiums	447.1	388.0	790.5	691.4
Earned Premiums	399.1	344.9	778.5	689.8
Losses and Loss Adjustment Expenses	230.6	196.6	453.1	388.2
Underwriting, Acquisition and Insurance Expenses	154.7	133.0	308.3	265.6
<b>Underwriting Income</b>	<b>\$13.8</b>	<b>\$15.3</b>	<b>\$17.1</b>	<b>\$36.0</b>
Net Investment Income	43.6	35.7	74.1	56.9
Fee and other income (expense), net	0.5	0.1	0.0	0.4
Interest Expense	7.0	4.9	12.9	9.7
<b>Operating Income</b>	<b>\$50.9</b>	<b>\$46.2</b>	<b>\$78.3</b>	<b>\$83.6</b>
Net Realized Investment and Other Gains	4.5	(2.1)	19.1	(4.9)
Foreign Currency Exchange Gain (Loss)	(4.6)	(4.5)	(3.9)	(6.0)
<b>Income Before Taxes</b>	<b>\$50.8</b>	<b>\$39.6</b>	<b>\$93.5</b>	<b>\$72.7</b>
Income Tax Provision	4.8	8.7	10.8	14.1
<b>Net Income</b>	<b>\$46.0</b>	<b>\$30.9</b>	<b>\$82.7</b>	<b>\$58.6</b>
<b>Operating Income per Common Share (Diluted)<sup>1</sup></b>	<b>\$1.31</b>	<b>\$1.20</b>	<b>\$2.02</b>	<b>\$2.16</b>
<b>Net Income per Common Share (Diluted)</b>	<b>\$1.48</b>	<b>\$1.00</b>	<b>\$2.67</b>	<b>\$1.89</b>
Loss Ratio	57.8%	57.0%	58.2%	56.3%
Expense Ratio <sup>2</sup>	38.8%	38.6%	39.6%	38.5%
<b>Combined Ratio</b>	<b>96.6%</b>	<b>95.6%</b>	<b>97.8%</b>	<b>94.8%</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) Includes all acquisition, G&A and corporate expenses

# Active Capital Management

*Through share repurchases and dividends, Argo has returned nearly \$520 million of capital to shareholders from 2010 through August 4, 2017*

- **Management has prudently repurchased shares at a meaningful discount to book value**

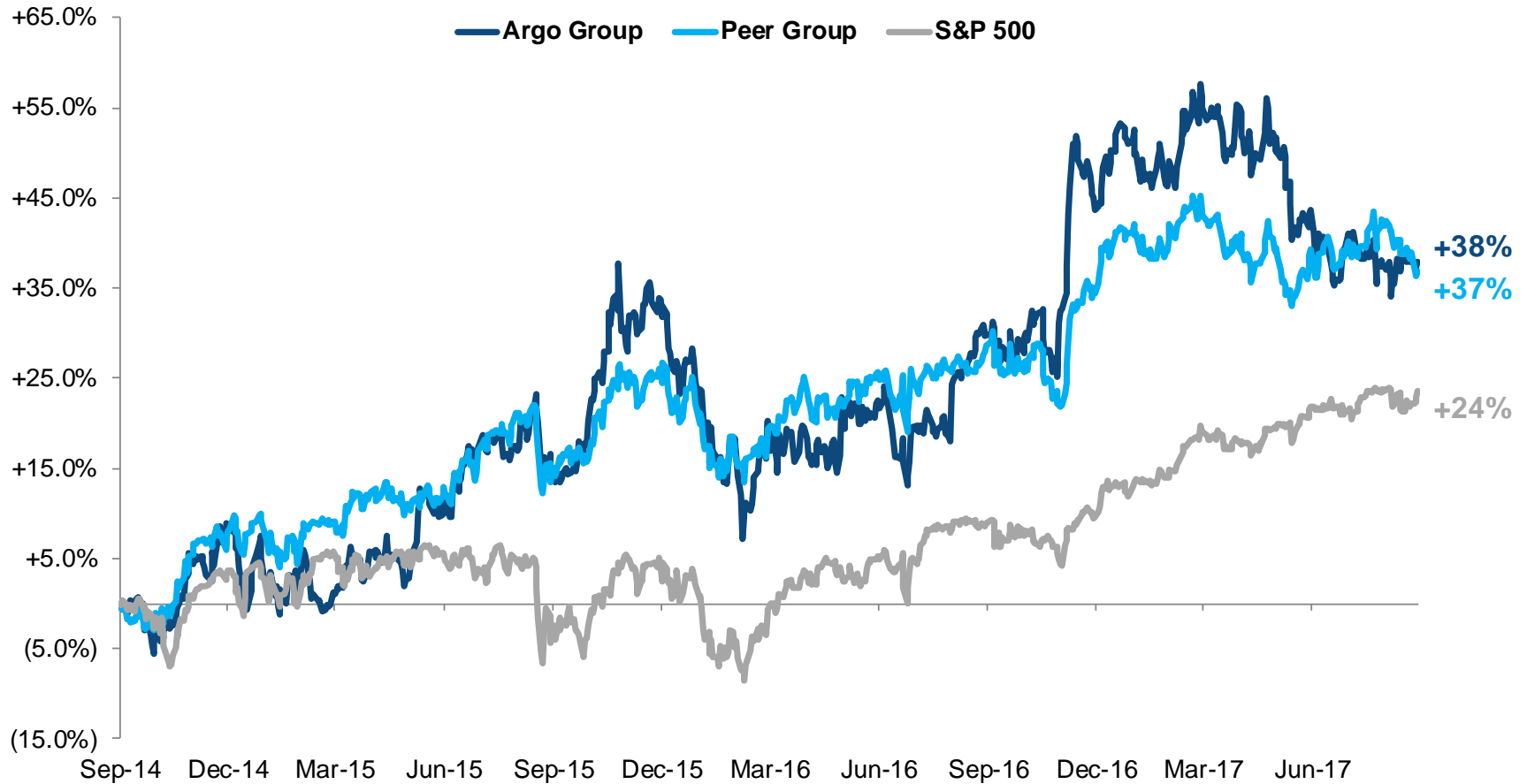
- Repurchases have exceeded the amount of shares issued in PXRE transaction (8.2 million<sup>1</sup> shares were issued at 1.35x book value)
- Transactions have been accretive to book value

	2010	2011	2012	2013	2014	2015	2016	YTD 2017 As of 8/4	2010-YTD '17 Total
Total Shares Outstanding	31,206,796	31,285,469	31,384,271	34,066,889	34,318,224	37,105,922	40,042,330	40,262,441	
Less: Treasury Shares	3,363,560	4,971,305	6,459,613	7,558,345	8,606,489	9,181,644	10,028,755	10,131,914	
<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>30,013,575</b>	<b>30,130,527</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>847,111</b>	<b>103,159</b>	<b>9,929,256</b>
<i>As % of Beg. Net Shares</i>	10%	6%	6%	4%	4%	2%	3%	0%	32%
Avg. Repurchase Price per Share	\$33.05	\$30.69	\$29.89	\$42.32	\$48.45	\$51.55	\$55.61	\$59.66	\$38.18
<b>Total Repurchased (\$m)</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>\$47.1</b>	<b>\$6.2</b>	<b>\$379.1</b>
Dividends per Share	\$0.48	\$0.48	\$0.48	\$0.60	\$0.69	\$0.82	\$0.88	\$0.27	\$4.97
<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>\$26.5</b>	<b>\$16.6</b>	<b>\$139.4</b>
<b>Repurchases + Dividends (\$m)</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>\$73.6</b>	<b>\$22.8</b>	<b>\$518.5</b>

Note: Not adjusted for June 2013 or March 2015 stock dividend.

(1) Calculated as difference between Q2 2007 and Q3 2007 shares outstanding

# Stock Price Performance – Last 3 Years



Source: SNL Financial (as of 08/31/17).

Note: Peer Group consists of: Alleghany, American Financial, Amtrust, Arch Capital, Aspen, Axis, Baldwin & Lyons, Global Indemnity, Hallmark, Hanover, Markel, Navigators, RLI, Selective, Validus and W.R. Berkley

# Compelling Valuation vs. Peer Group

Price/Book	Mar-06
Argo	1.70x
Peer Avg.	1.61x
Difference	-0.09x

Price/Book	Aug-17
Argo	0.96x
Peer Avg.	1.32x
Difference	0.36x



Source: SNL Financial (as of 08/31/17).

Note: Peer Group consists of: Alleghany, American Financial, Amtrust, Arch Capital, Aspen, Axis, Baldwin & Lyons, Global Indemnity, Hallmark, Hanover, James River, Markel, Navigators, RLI, Selective, Validus and W.R. Berkley

# Well Positioned for Value Creation in 2017 and Beyond

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

## Operations

- Results of underwriting initiatives evident in financial results
- Best in class loss ratios, improved to 57.4% in 2016 from 64.5% in 2012
- Incremental underwriting margin and yield improvements as well as a well balanced investment portfolio should favorably impact ROE going forward
- Continue to employ and attract some of the best talent both in the insurance and technology industries
- Integration of Ariel Re on track and expected to yield benefits across Argo's platform

## Capital

- Moderate financial leverage
- Strong balance sheet with 15 years of overall redundant loss reserves
- Strong track record of disciplined capital management and opportunistic M&A strategy

## Valuation

- Compelling investment case, trading at a price/book of 1.0x versus peers at 1.3x
- Stock trading at a discount to peers notwithstanding similar returns
  - Argo's four year average ROE is 9.7% versus peer average of 9.2%<sup>1</sup>