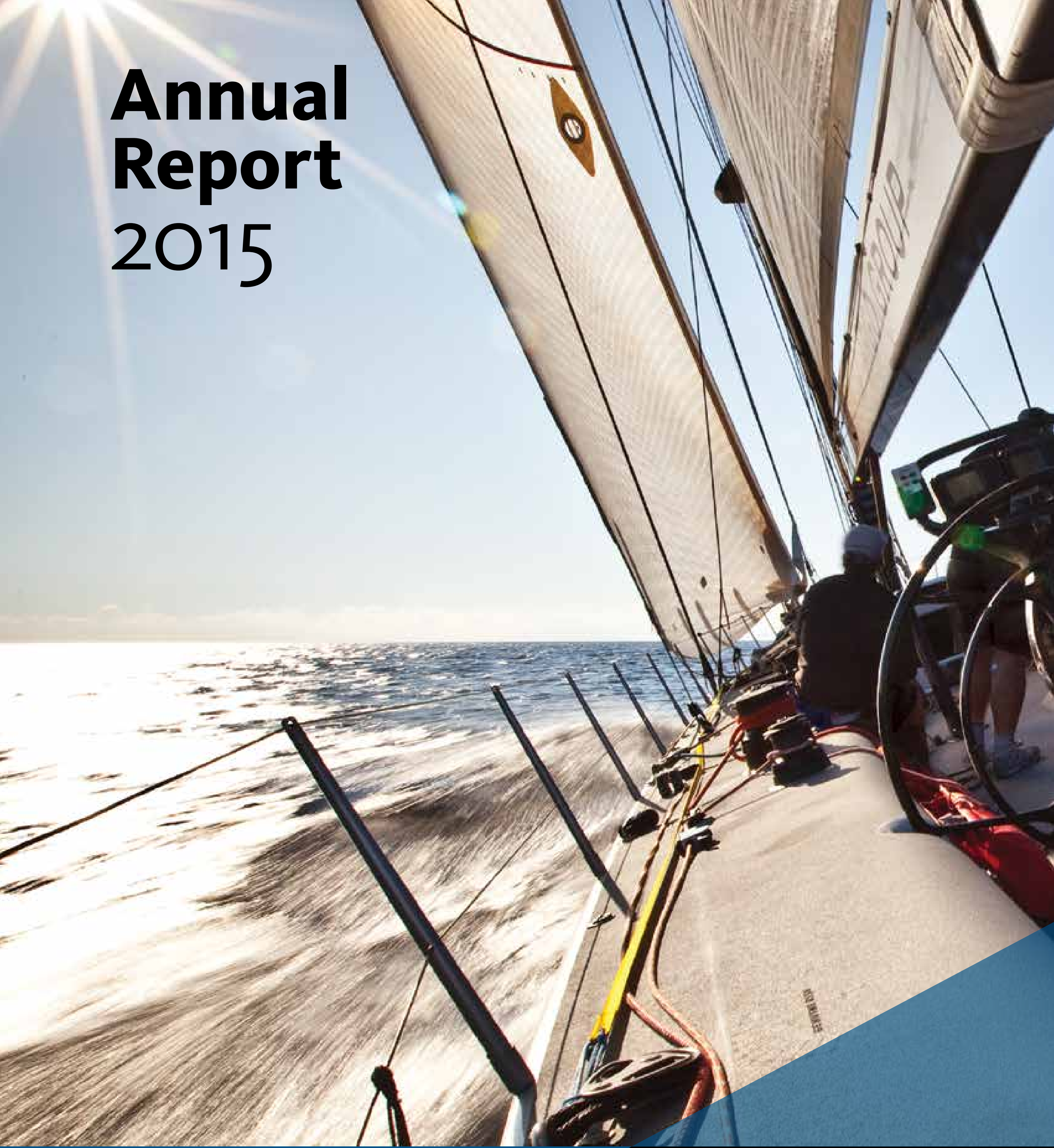
Annual Report 2015



ARGO GROUP

Get there together

Corporate Profile

Argo Group International Holdings, Ltd. (NASDAQ: AGII)

is an international underwriter of specialty insurance and reinsurance products in areas of the property and casualty market.

Through its operating subsidiaries, Argo Group offers a comprehensive line of products and services designed to meet the unique coverage and claims-handling needs of its clients in four business segments: Excess & Surplus Lines, Commercial Specialty, International Specialty and Syndicate 1200. Argo Group is headquartered in Bermuda.

Letter to the Shareholders

2015 was a year of many changes and no surprises.

Having said that, we stayed true to our strategy of being a specialty insurer with multichannel distribution and global reach. We made wide-scale changes to our systems and processes, built a stronger, more focused team, invested in technology and innovation, introduced new platforms and products and, above all else, spent time getting to know our customers and developing better solutions for their risk needs.

Our purpose all along has been to help businesses stay in business. We do that by mitigating the risks inherent in what they do. Argo is a specialty insurer, and our customers have remarkably different needs and ambitions. The products we provide them must be highly targeted, and the underwriters who serve them must have deep domain expertise in a broad variety of disciplines. This year, we began simplifying how we do business; we still have a lot of work to do. We also continued making the sweeping improvements that allow us to be leaner, smarter and more profitable. We believe these changes will put a team in place with better tools than ever before.

The strength of our underwriting results and our record underwriting profits for a second consecutive year prove the merit of our efforts. We grew our premiums to more than $2 billion in 2015, another record for our company. We achieved this growth even as we deliberately exited several lines of business during the year. As such, we now have evidence of solid, underlying growth within most of our business segments. Our overall underwriting income grew from $51.5 million the year prior to $66.2 million this year, a 28.5% gain and a record level for Argo. We achieved a net income of $5.72 per diluted share and operating earnings per share of $3.70. To you, our shareholders, we delivered a return on average shareholder equity just shy of 10% for the third consecutive year.

The most important factor in that achievement was risk selection and underwriting discipline. In 2015, we posted a combined ratio of 95.2%, just a hair off a goal we set in 2012 of delivering five points of underwriting profit. A significant contributor was the companywide program of systems and process improvement — a global effort to simplify the way we operate. Our mandate was to abandon any procedure or step that does not produce something our customers need, want and value. And as I mentioned earlier, simplification was also key to lowering our expenses, an achievement reflected in our improved expense ratio of 39.4%.

Excess & Surplus

In our Excess & Surplus Lines business, gross written premiums were up 11.9% for the year. We achieved growth in our casualty unit, our largest business by volume within E&S, of 22% against a backdrop of a market with slow to no growth. This is due in great part to our investment in technology and overall process improvement. We also benefited from growth initiatives in our professional lines business Argo Pro, which is an area we've been focusing on for the past few years.

Commercial Specialty

2015 was a year of improvement in most businesses within our Commercial Specialty segment. Overall, premiums were up 5.8% in the calendar year, driven by our program and public-entity businesses. While we continue to see growth in our underwriting results, strong competition made it impossible to achieve the rate increases we would have liked. We continue our focus on profitable relationships in this segment, driving results through deeper customer knowledge, particularly with our policyholders.

Syndicate 1200

Our Syndicate grew modestly in 2015 with gross written premiums up 3.8% as competition remained robust in the Lloyd's market. This year, we stayed focused on expanding our core business while establishing new products in areas where our strengths should serve us well. We did this by building on our strong relationships with our brokers, continuing to attract new trade capital, and by pursuing new Lloyd's business around the world. Positive growth came from the North American property account and new specialty classes of risk added in recent years, including international casualty treaty and the launch of our platform in Asia. Looking ahead, we see additional opportunities to grow by collaborating with other Argo Group business segments, in particular the U.S. to deliver unique solutions to meet customer needs.

International Specialty

Performance in our International Specialty segment showed a decline of 3.9% over that in 2014. Part of this reflects the challenging economic environment in Brazil, including weak local currency. In response to market conditions, we made selective changes to the business and are beginning to see positive results. For example, the combined ratio in this segment improved to 84.9%, a consequence of lower losses and loss adjustment expenses. International Specialty continued to explore new technologies aimed at helping to identify and capitalize on underwriting opportunities more quickly and easily. We continued advancing our Protector platform as an innovative online offering that taps into new segments for us. We also launched a digital product platform for our directors and officers liability insurance product in Western Europe. Despite the challenging market, we believe our business is positioned for growth in 2016.

Our team

Our team gets better every year, and this year we were pleased to welcome Stuart Boyne as Senior Vice President and Chief Human Resources Officer. Stuart will take a leading role in modernizing our HR function, giving our teams the support they need to be efficient and innovative. Alex Hindson joined as our Chief Risk Officer to spearhead a wide-reaching program of enterprise risk management with a goal of building on our strong set of risk management processes and enhancing

"After 12 consecutive quarters of deliberate, solid, consistent growth, we are confident and inspired to do better. I offer my sincere gratitude to the Argo team for a year of extraordinary effort. The work is paying off."

— Mark E. Watson III,
President and Chief Executive Officer

our risk-aware culture. Phil Vedell will serve as Chief Operating Officer, responsible for overseeing operations in the U.S. And David Lang was appointed to serve as Chief Operating Officer at ArgoGlobal, leading an ambitious growth agenda for our Syndicate 1200 business in 2016.

Of culture and community

Even as company operations undergo deep changes to ensure that Argo stays innovative, responsive and profitable, many aspects of our culture remain unchanged. An important example is the commitment of our team members to the communities in which they live and work. This year our Argo Foundation in Bermuda and Community Relations Committees in London, San Antonio and Richmond provided more than 70 local community organizations with Argo funding. Elsewhere, the Team Argo Employee Volunteer Program rallied Argo professionals in project-specific groups to assist in community development around the world. And once again, our Argo Matching Gift Program supported the causes of greatest personal interest to our team by matching their donations with funds paid directly to charities. We are proud of the responsibility shown by our employees last year and remain committed to encouraging and supporting them in their efforts.

Confident and ready to improve

This year's comprehensive program to bring simplification, automation and unwavering customer focus into every corner of the company is elemental to our strategy. We continuously improve the way our company operates. As such, we will go on making tough decisions, confident that the reasons we were better this year are the same reasons we can continue improving.

Our investments in business processes, technology and people allow us to serve our clients better, faster and easier. We can now better select risk and better manage our portfolio mix. Our investment in people has built a more nimble team than we had even three years ago. By outsourcing all but core functions, that team now has the time to focus on making better decisions. We have a better distribution platform today and better business processes to support everything we do.

After 12 consecutive quarters of deliberate, solid, consistent growth, we are confident and inspired to do better. I offer my sincere gratitude to the Argo team for a year of extraordinary effort. The work is paying off.

Mark E. Watson III
President and Chief Executive Officer

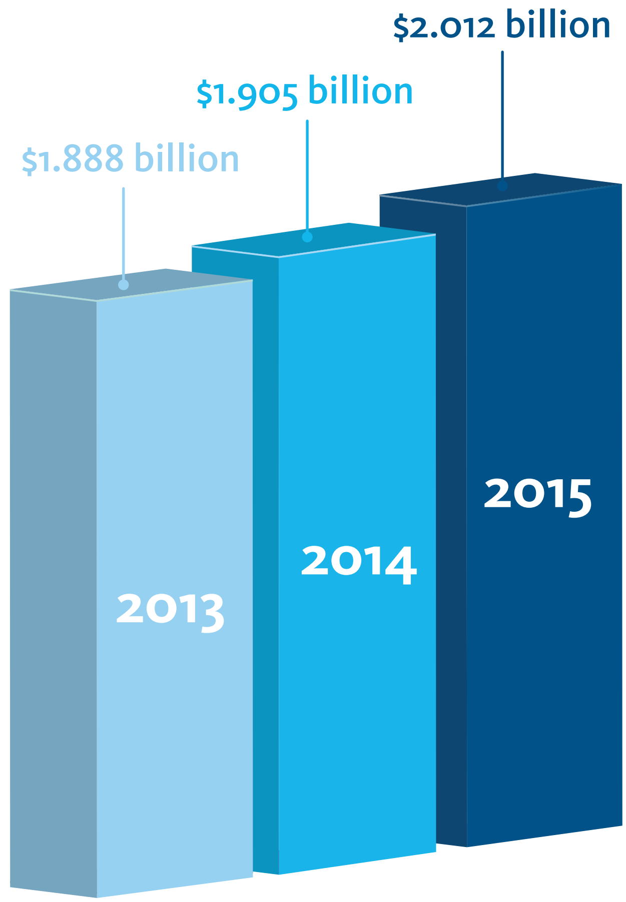
Scan the QR code to view the digital report.

2015 at a Glance

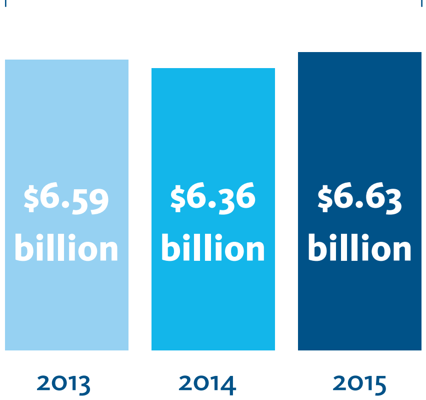
"We're optimizing and improving our existing businesses with real, demonstrable results at the bottom line. I'm optimistic about each and every one of our businesses."

— Jay Bullock, Executive Vice President and Chief Financial Officer

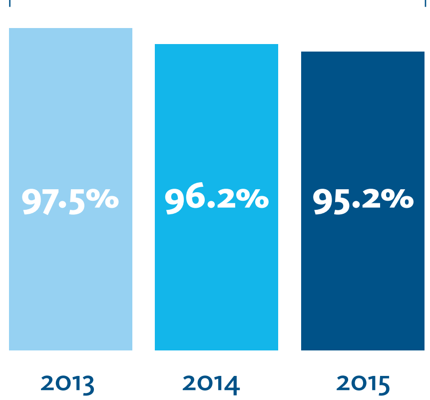
Gross Written Premiums



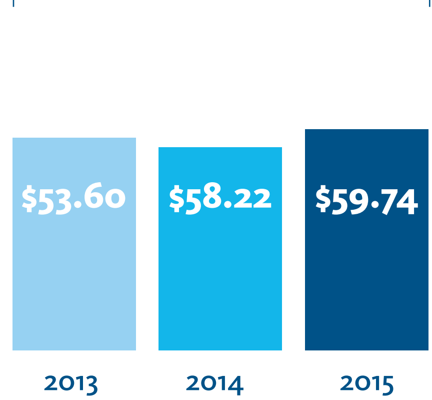
Total Assets



Combined Ratio



Book Value Per Share



A.M. Best Rating | 'A' (Excellent)

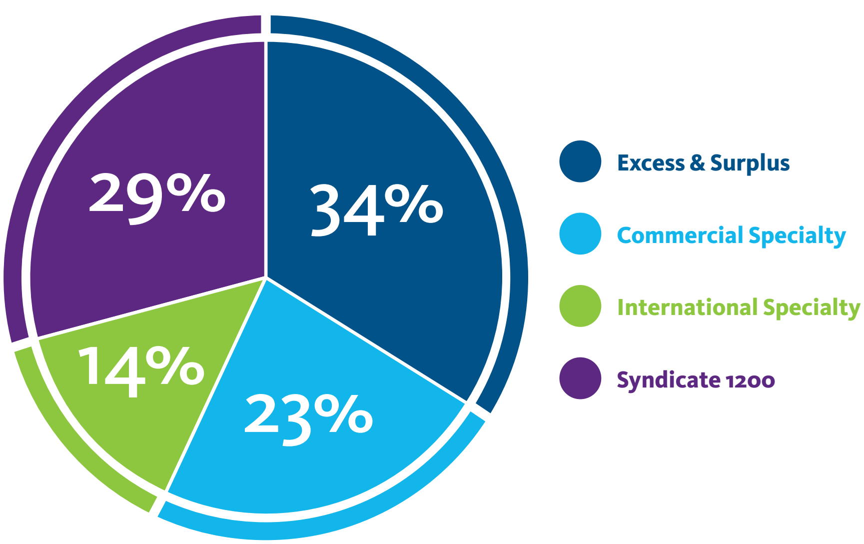
For the Years Ended December 31
(in millions, except number of shares and per share amounts)

	2015	2014	2013
Gross written premiums	**$ 2,012.1**	$ 1,905.4	$ 1,888.4
Net written premiums	**1,402.1**	1,367.9	1,351.3
Net earned premiums	**1,371.9**	1,338.1	1,303.8
Net investment income and realized gains	**112.7**	180.6	171.3
Total revenue	**1,484.6**	1,518.7	1,475.1
Net income	**$ 163.2**	$ 183.2	$ 143.2
Net income per common share:			
Basic	**$ 5.84**	$ 6.39	$ 4.85
Diluted	**$ 5.72**	$ 6.27	$ 4.67
Combined ratio	**95.2%**	96.2%	97.5%
Total assets	**$ 6,630.1**	$ 6,356.3	$ 6,591.0
Shareholders' equity	**$ 1,668.1**	$ 1,646.7	$ 1,563.0
Return on average shareholders' equity	**10%**	11%	9%
Weighted average number of shares outstanding:			
Basic	**28.0**	28.7	29.5
Diluted	**28.5**	29.2	30.7
Book value per share	**$ 59.74**	$ 58.22	$ 53.60

NOTICE

The financial highlights herein are a summarized version of Argo Group's audited consolidated financial statements and do not contain sufficient information to allow as full an understanding of the financial position, results of operations, changes in financial position or cash flows of Argo Group as would be provided by the complete financial statements of Argo Group. A registered shareholder of Argo Group receiving these summarized financial statements may notify Argo Group in writing that they elect to receive the complete financial statements for the period for which the summarized financial statements are prepared, or for subsequent periods, or both.

Percentage of Gross Written Premiums by Business Segment



28.5%

Increase in pre-tax underwriting income, from $51.5 million in 2014 to $66.2 million in 2015

Excess & Surplus Lines Client Profile
Partners Specialty Group
Stamford, Connecticut

"The team at Argo Group makes us look good because of their responsiveness, good communication and good product."

— Maureen Caviston, President

A broad embrace of apartment living in major U.S. cities is driving the construction business — and keeping phones ringing at the 14 offices of wholesale broker Partners Specialty Group (PSG), which does considerable business in the industry.

"We handle challenging risks," says PSG President Maureen Caviston. "Retail brokers that come to us expect a fast solution, a broad solution, and it's how we differentiate ourselves."

PSG often receives last-minute opportunities. "When we get a call from customers late in the day, asking for something immediately, that is where a responsive underwriting team is really important to us." Caviston says Argo Group's Colony Specialty team has been critical in helping PSG uphold its reputation. "They make us look good because of their responsiveness, good communication and good product."

Colony Specialty and PSG have partnered since 2006. The shared book of business has steadily grown, particularly in the environmental, health care and casualty specialties. "Our business is exciting because no two days are alike," Caviston says. "We do business with over 100 insurers, but Argo Group's in our top tier."

Excess & Surplus Lines

Our Excess & Surplus Lines segment insures risks typically not underwritten by the standard market. Colony Specialty underwrites property and casualty risks. Argo Pro underwrites small- to medium-size professional liability risks.

Fast, smart, eager. These fundamental tenets of Argo Group's business philosophy were on prominent display in our Excess & Surplus Lines segment in 2015. Colony Specialty's casualty line and Argo Pro's professional liability lines turned in particularly strong performances.

Casualty, our most profitable Excess & Surplus Lines division and also one of our fastest-growing lines, saw gross written premiums jump 22%. Gaining access to new business has never been an issue in the hypercompetitive casualty market. Instead, our challenge has been to find the best business from the wealth of possibilities — without simply throwing more staff at the task. Today we're doing a much better job of that thanks to improvements in our business processes and the maturation of our underwriting system, Argo Edge.

Launched in 2013, Argo Edge enables us to more quickly and accurately identify the most attractive pieces of business and then make faster, smarter underwriting decisions. We anticipate further efficiency improvements from this system as we continue to reinvest in and refine the underlying technology.

Argo Pro, another of our faster-growing lines of business, saw gross written premiums increase thanks both to organic growth and the acquisition of OneBeacon Insurance Group's Lawyers' Professional Liability book of business in December 2014.

We recorded a smaller but notable success story in our transportation business, which shrank significantly in 2015 following our exit from the bulk of that market in 2014. However, the business we retained was, on average, more profitable. Today our transportation business is focused on the garage market, where in 2015 we saw increases in gross written premiums, earned premiums and underwriting income.

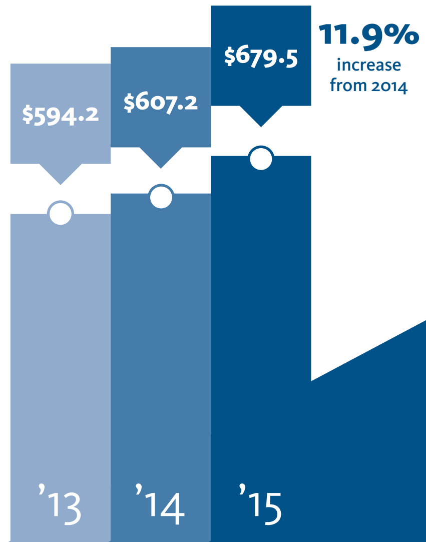
Overall, our Excess & Surplus Lines segment enjoyed an 11.9% increase in gross written premiums in 2015. Gains in our casualty and Argo Pro businesses were offset in part by reduced writings in Colony Specialty's transportation, contract and property lines.

For the Years Ended December 31
(dollar amounts in millions)

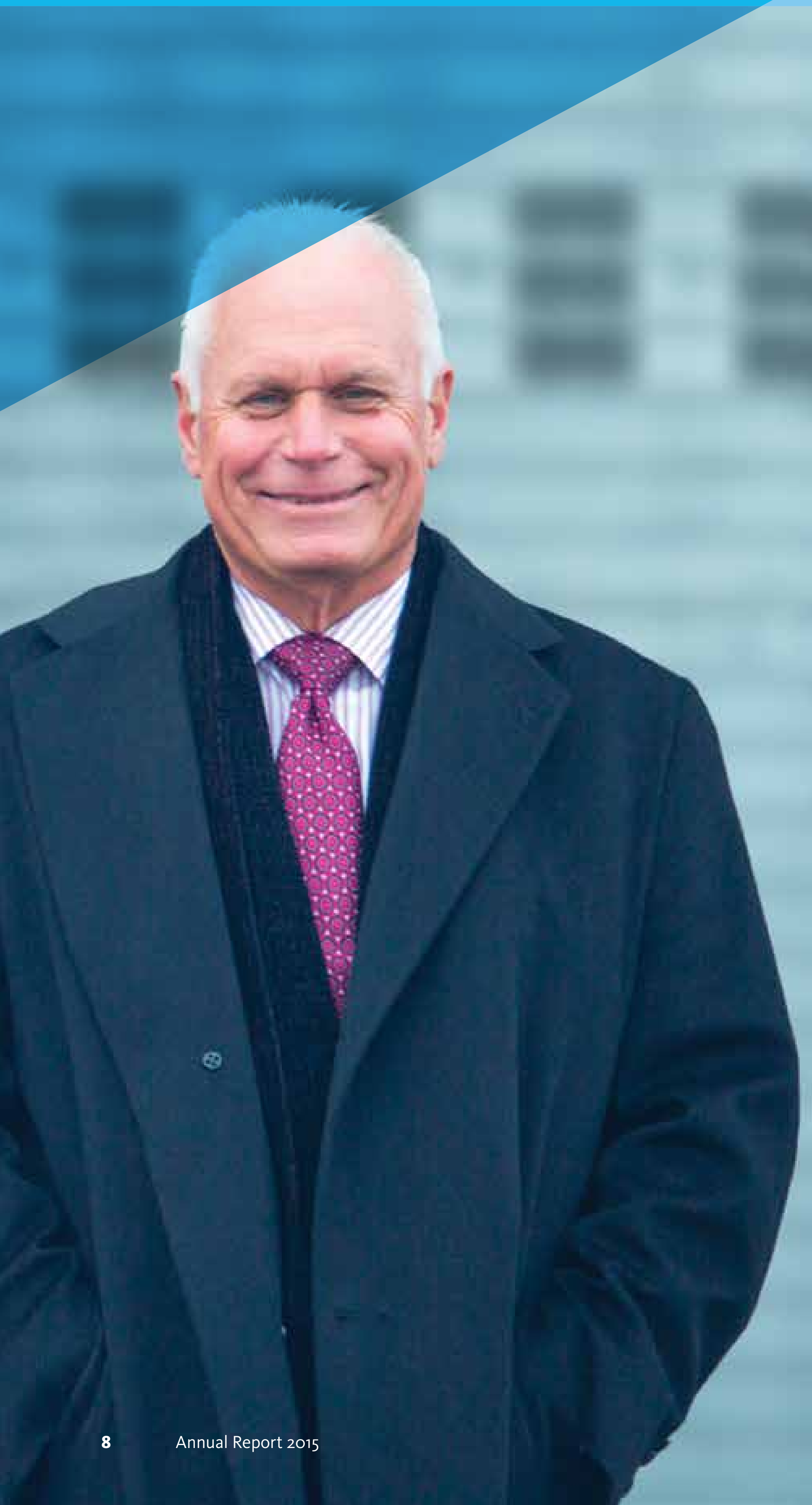
	2013	2014	2015
Excess & Surplus Lines			
Gross written premiums	$ 594.2	$ 607.2	**$ 679.5**
Earned premiums	$ 460.2	$ 485.2	**$ 525.3**
Losses and loss adjustment expenses	244.0	248.0	**291.8**
Other reinsurance-related expenses	4.9	—	**—**
Underwriting, acquisition and insurance expenses	157.2	161.6	**166.7**
Underwriting income	54.1	75.6	**66.8**
Net investment income	42.2	36.7	**35.2**
Interest expense	(6.9)	(6.3)	**(6.0)**
Income before income taxes	$ 89.4	$ 106.0	**$ 96.0**
Loss ratio	53.6%	51.1%	**55.5%**
Expense ratio	34.5%	33.3%	**31.8%**
Combined ratio	88.1%	84.4%	**87.3%**

Gross Written Premiums

(dollar amounts in millions)



Commercial Specialty Client Profile
TRX Insurance Services, Inc.
Valley Forge, Pennsylvania



"Argo Group solved an issue not only for us, but for an entire class of business."
— Rick Metz, President

Few companies want to insure taxis.

Most are fleet-owned and driven by different drivers, multiple shifts, in all kinds of conditions, says Rick Metz, President of TRX Insurance Services, Inc.

TRX takes a different approach, focusing on independently owned taxis — in other words, taxi drivers who own their cars and their businesses.

When Metz approached Argo Group about insuring this particular niche, "they recognized that by segmenting the industry they could underwrite the class of business at a fair price and in a way that's profitable for them and affordable for the policyholder," he says. "Argo Group solved an issue not only for us, but for an entire class of business at a time when insurance was very expensive for them and available on a very limited basis."

Metz says his relationship with Argo Group comes down to three things. "First and foremost is their ability to give us a set of underwriting principles we can follow that provide quick service to our clientele. Second is the pricing they've arranged for us to underwrite with. Last, and not least, is Argo Group's ability to handle claims on a timely basis — and on a fair basis."

Which is good for TRX — and for its clients. Says Metz: "Argo Group probably made a thousand policyholders happy."

Commercial Specialty Lines

Commercial Specialty serves niche industries and businesses through six risk-bearing divisions: Argo Insurance, Argo Surety, ARIS, Commercial Programs, Rockwood and Trident. In addition, our Alteris division operates non-risk-bearing agency and brokerage businesses.

The Commercial Specialty segment turned in another strong performance in 2015, highlighted by the ongoing turnaround of our Trident public entity business and the continued growth and profitability of our Argo Surety division.

Trident returned to profitability following two years of extensive structural and managerial changes within the division. These changes included strengthening the division's talent base across all disciplines and upgrading the analytical tools available to the team. The results can be seen in Trident's improved retention rates and profitability. In 2015, Trident booked more than $100 million in gross written premiums, while reducing its combined ratio. We anticipate continued improvements in this division in 2016.

Built from scratch beginning in 2008, Argo Surety is a testament to Argo Group's ability to achieve organic growth by identifying and exploiting new business opportunities. In 2015, Argo Surety's new Hamilton, New Jersey, office became fully operational, and the division is now contributing in a meaningful way to the company's bottom line. Gross written premiums grew and underwriting profit increased. The division's combined ratio also improved.

Overall, gross written premiums for the Commercial Specialty segment increased 5.8% in 2015. Gains in the commercial and surety lines were offset in part by declines in the grocery and retail units and in the segment's mining unit, where customers and potential customers continued to be pressured by a persistent slump in commodities prices.

Earned premiums ticked modestly lower in 2015, falling less than a percentage point. However, a reduction in losses and loss adjustment expenses, plus lower underwriting, acquisition and insurance expenses, led to a sharply improved combined ratio of 93.8% versus 100.2% a year earlier. The decline in expenses was attributable primarily to an increase in the fronting fees we received, coupled with reduced accruals for premiums taxes and other assessments as the result of a revised accounting estimate.

For the Years Ended December 31
(dollar amounts in millions)

	2013	2014	2015
Commercial Specialty			
Gross written premiums	$ 419.1	$ 440.2	**$ 465.7**
Earned premiums	$ 299.0	$ 291.9	**$ 290.1**
Losses and loss adjustment expenses	194.0	189.1	**179.3**
Other reinsurance-related expenses	0.9	—	**—**
Underwriting, acquisition and insurance expenses	97.4	103.5	**92.7**
Underwriting income (loss)	6.7	(0.7)	**18.1**
Net investment income	22.8	18.7	**18.5**
Interest expense	(3.8)	(3.2)	**(3.2)**
Fee and other expense, net	(4.3)	(2.5)	**(3.5)**
Impairment of intangible assets	—	(3.4)	**—**
Income (loss) before income taxes	$ 21.4	$ 8.9	**$ 29.9**
Loss ratio	65.1%	64.8%	**61.8%**
Expense ratio	32.7%	35.4%	**32.0%**
Combined ratio	97.8%	100.2%	**93.8%**

Gross Written Premiums

(dollar amounts in millions)

International Specialty Client Profile
MDS Insure
São Paulo, Brazil

"If I need something, I know that, as quickly as possible, Argo Group will get it done."
— Jacques Goldenberg, International Director

As Argo Seguros continues to expand in Brazil, so does business with international brokerage firm MDS Insure.

MDS began selling Argo Seguros professional lines, property and surety products in 2014. Much of the business is in the cargo and marine sector, providing freight insurance for shippers and carriers. "Argo Group is a good partner," says Jacques Goldenberg, International Director of MDS. "They are very clear in managing their business and telling us when there is the possibility to do business or when something is absolutely out."

The Argo Seguros team's turnaround time on the phone also simply outpaces the competition, Goldenberg says.

Recalling a time when a shipping client called with a unique need for extended coverage of freight sitting idle in a warehouse, Goldenberg says he was impressed by the team's fast response: "I could see they used all their knowledge and contacts to provide a solution," he says.

"It's a mutual attraction between us," Goldenberg continues. "If I need something, I know that, as quickly as possible, Argo Group will get it done."

International Specialty Lines

International Specialty underwrites property catastrophe reinsurance and other risks worldwide from offices in Bermuda, Dubai and Malta. Argo Seguros underwrites cargo and marine, property and engineering, and financial lines in Brazil and other Latin American markets.

The International Specialty segment continues to explore new technologies that can help identify and capitalize on underwriting opportunities more quickly and easily.

In 2015, we created an online digital platform in Europe — ArgoGlobal Business Connect — for our directors and officers liability insurance product. The platform makes it easier for customers, especially small- to medium-size enterprise customers, to do business with us. ArgoGlobal Business Connect will be available in Germany in mid-2016.

Meanwhile, we already operate a similar online platform — Protector — in Brazil. It gained additional traction in the marketplace last year, although our results in that country were pressured by the unsettled economic climate there and the subsequent deterioration in the value of the Brazilian currency, which had a negative impact on our results when translated to U.S. dollars. In response, we have made select changes to our business there and are beginning to see positive results.

Our Bermuda-based casualty and professional insurance team, established in 2009, increased net earned premium by 18% in 2015. Gross written premiums remained flat due to rate reduction and changes to the mix of business. The results were primarily achieved through collaborating with clients on product development and continued marketing initiatives.

Elsewhere, to further boost production in our International Specialty segment, we will transition our Argo Re operation in Dubai to our Syndicate 1200 segment in 2016. This will allow the Dubai operations to take advantage of the licensing and platform efficiencies available through the Lloyd's of London market.

The segment's property catastrophe reinsurance business continues to be pressured by fierce competition, not only from established players but also from new players outside the insurance industry, primarily hedge funds. In negotiating this rapidly shifting landscape, Argo Re's relatively small size has allowed us to operate nimbly, moving quickly into the market as attractive opportunities present themselves and pulling back when pricing becomes unattractive.

Despite the downturn in gross written premiums in 2015, earned premiums increased slightly. The improvement was attributable primarily to a reduction in the segment's ceding percentages, coupled with modest changes in our business mix, including a tactical pullback in the surety sector.

Losses and loss adjustment expenses also fell in 2015, highlighted by a reduction in loss reserves due to favorable developments on prior-year business. The segment also sustained slightly lower catastrophe losses.

Owing to the improvement in losses and to roughly flat expenses, International Specialty's combined ratio improved to 84.9% in 2015, down from 89.2% in 2014.

For the Years Ended December 31
(dollar amounts in millions)

	2013	2014	2015
International Specialty			
Gross written premiums	$ 290.6	$ 290.2	**$ 278.9**
Earned premiums	$ 142.4	$ 148.3	**$ 148.7**
Losses and loss adjustment expenses	79.9	77.8	**72.8**
Other reinsurance-related expenses	6.2	—	**—**
Underwriting, acquisition and insurance expenses	50.1	54.5	**53.4**
Underwriting income	6.2	16.0	**22.5**
Net investment income	8.4	8.2	**11.8**
Interest expense	(3.3)	(3.1)	**(3.0)**
Income before income taxes	$ 11.3	$ 21.1	**$ 31.3**
Loss ratio	58.7%	52.5%	**49.0%**
Expense ratio	36.7%	36.7%	**35.9%**
Combined ratio	95.4%	89.2%	**84.9%**

Gross Written Premiums
(dollar amounts in millions)

Syndicate 1200 Client Profile

Arthur J. Gallagher & Co.

London, England

"ArgoGlobal is always ahead of the game."

— Darren Rowe, Client and Markets Director

At Lloyd's of London, quickness wins every time.

The success of brokers is built on their ability to find attractive risk solutions for customers' needs. But a challenge for many of them is connecting with the underwriters who price the risks.

"In the good old days, the underwriters would sit in their box, and brokers would come in and transact business," says Darren Rowe, Client and Markets Director for Arthur J. Gallagher & Co. "But the model is changing."

Increased competition and the ease of doing business across time zones means decisions often need to be made outside of trading hours. "Risks of all different natures are thrown at us all the time," Rowe says. "What stands out for me about ArgoGlobal is the innovative and flexible approach to solving problems."

For Rowe, ArgoGlobal's approach makes it possible to work through challenging scenarios in short order. "It's the forward thinking," Rowe says. "ArgoGlobal always looks at ways to do it, reasons to write the business rather than not to write the business, which is what we need.

"They're answering the second question before we finish the first question," Rowe continues. "ArgoGlobal is always ahead of the game."

Syndicate 1200 Lines

Syndicate 1200 underwrites worldwide property, specialty and non-U.S. liability insurance within the Lloyd's of London global franchise. It operates through five divisions: property, liability, marine and energy, aerospace, and specialty.

In line with Argo Group's commitment to continuous improvement, Syndicate 1200 focused its activities in seven key areas in 2015.

We worked to expand our profitable lines of business while also establishing new products in areas where we believe our strengths will serve us well.

We sought to strengthen and broaden our already strong relationships with London brokers and to support the Lloyd's platform in London and outposts around the world.

We continued to pursue capital from other members of the Lloyd's market. We partnered with colleagues in other Argo Group business segments to meet customer needs. We worked diligently to attract new talent. We also continued development of a data warehouse that will allow us to meet the reporting requirements of the European Union's Solvency II Directive.

We are pleased to report progress in all of these key areas. Operating in one of the insurance industry's most competitive markets, four of Syndicate 1200's five divisions wrote more premiums in 2015 than they did in 2014. In just its eighth year as a member of Argo Group, Syndicate 1200 solidified its position as a core contributor to Argo Group's results.

The bulk of the segment's growth in 2015 was driven by its North American binder business; by new classes of risk added in recent years, such as international casualty; and by the launch of the segment's platform in Asia. The only division to post lower gross premiums was marine and energy, operating in a sector where results were pressured industrywide by a continued dramatic slide in oil prices.

Looking ahead, we see additional opportunities for Syndicate 1200 to grow, in part by collaborating with other Argo Group business segments to deliver solutions that would be difficult to provide independently. These efforts will be overseen by a largely new leadership team, including David Lang, who in 2015 was named Chief Operating Officer of Syndicate 1200.

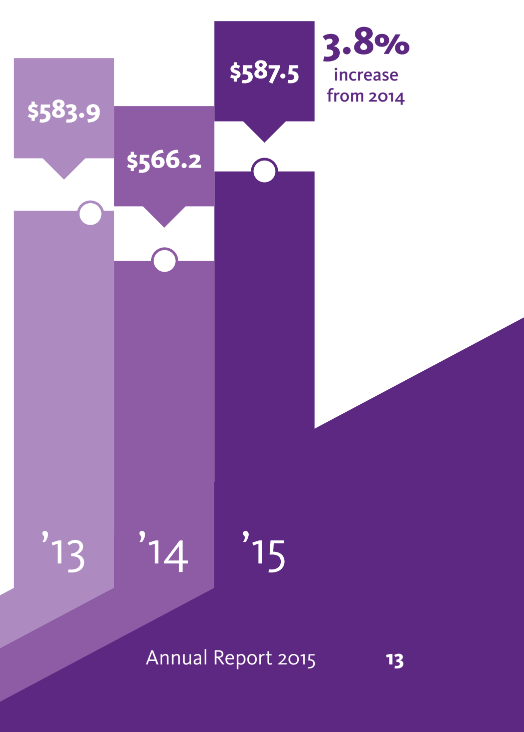
Overall, Syndicate 1200's gross written premiums grew 3.8% for the year. Earned premiums fell modestly — by just less than 1% — largely because the segment reduced its participation percentage in its Lloyd's syndicate to 68%, down from 75% in 2014. This had the offsetting effect of boosting fee income. Underwriting income declined 32.1%, due in part to increased catastrophe losses, including $3.5 million attributable to the port explosion in Tianjin, China, in August. Nonetheless, Syndicate 1200 was able to post a combined ratio of 94.1%, in part by shrinking fixed expenses to offset increased commission and broker expenses.

For the Years Ended December 31
(dollar amounts in millions)

	2013	2014	2015
Syndicate 1200			
Gross written premiums	$ 583.9	$ 566.2	**$ 587.5**
Earned premiums	$ 401.7	$ 411.1	**$ 407.4**
Losses and loss adjustment expenses	208.6	208.1	**213.6**
Other reinsurance-related expenses	6.7	—	**—**
Underwriting, acquisition and insurance expenses	156.2	167.8	**169.9**
Underwriting income	30.2	35.2	**23.9**
Net investment income	11.0	10.2	**9.2**
Interest expense	(3.3)	(3.2)	**(2.6)**
Fee and other income (expense), net	(0.6)	1.9	**3.3**
Income before income taxes	$ 37.3	$ 44.1	**$ 33.8**
Loss ratio	52.8%	50.6%	**52.4%**
Expense ratio	39.6%	40.8%	**41.7%**
Combined ratio	92.4%	91.4%	**94.1%**

Gross Written Premiums

(dollar amounts in millions)



The Team Argo Difference

Argo Group's success is built on the intellect, commitment and enthusiasm of our team members. We invest substantially in our employees' ideas and ambitions, as well as the communities where they live and work.

Our Customer Focus

Team Argo includes more than 1,300 incredible employees, located at 32 offices worldwide. Our team members don't just want to fit into a company, they want to transform our company. "If you're the type of individual who enjoys a challenge, wants to push yourself, stretch your boundaries, and try to be the person that you've always thought you can be in a business context, Argo Group is the right place to be," says Stuart Boyne, Global Head of Human Resources.

"Our leadership is definitely willing to help you achieve your goals. I love that we are all part of the continued growth at Argo Group."

Angel Smith
Corporate Purchasing Analyst

"The culture here at Argo Group is very open. You feel like you can reach out and talk to anyone, whether they are just one desk down from you or across the ocean."

Adalberto "Beto" Camarillo
Vice President, Enterprise Portfolio Management

"There's a willingness to make investments where they need to be made and an understanding that technology will help propel us into the future. I'm excited to see where that takes us."

Leah Ohodnicki
Senior Vice President – Head of Marketing and Producer Management, Colony Specialty and Argo Pro

"I like the sense of the comaraderie, the feeling of a team working together for common objectives."

David Lang
Chief Operating Officer, Argo Global

Our Local Community Involvement

Team Argo was out in force again in 2015. Our employees proudly volunteered hundreds of hours to secure the future of the communities where we live and work. Employees also made financial contributions, which the company matched at 150%, to more than 175 nonprofit organizations.

1. Argo Group President and CEO Mark Watson joined an employee-organized day of sailing for students affiliated with the Royal Bermuda Yacht Club.

2. Members of Argo Group's internal audit team in San Antonio helped Habitat for Humanity build two houses.

3. Argo Group employees volunteered time and financial support to families who utilize services of The Family Centre in Bermuda.

4. In March, Argo Group employees in Richmond shaved their heads to raise $7,500 for the St. Baldrick's Foundation, which funds research on cures for childhood cancers.

5. In November, employees handed out 250 Thanksgiving baskets to San Antonio-area families in need.

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Report of Independent Registered Public Accounting Firm on Condensed Consolidated Financial Statements

The Board of Directors and Shareholders of Argo Group International Holdings, Ltd.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Argo Group International Holdings, Ltd. (the Company) at December 31, 2015 and 2014 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015 (not presented separately herein) and in our report dated February 26, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 (presented on pages 17 through 20) is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2016 (not presented separately herein) expressed an unqualified opinion thereon.

Ernst & Young LLP

February 26, 2016

Executive Leadership

Board of Directors

Gary V. Woods	Chairman of the Board (1) (3) (4) (5) (6)
F. Sedgwick Browne	Director (2) (3) (5) (6)
H. Berry Cash	Director (3) (4) (6)
Hector De Leon	Director (1) (2) (3) (6)
Mural R. Josephson	Director (2) (6)
Kathleen A. Nealon	Director (2) (6)
John R. Power, Jr.	Director (2) (3) (5) (6)
John H. Tonelli	Director (3) (4) (6)
Mark E. Watson III	Director (1) (4) (6)

(1) Member of the Executive Committee of the Board of Directors
(2) Member of the Audit Committee of the Board of Directors
(3) Member of the Human Resources Committee of the Board of Directors
(4) Member of the Investment Committee of the Board of Directors
(5) Member of the Nominating Committee of the Board of Directors
(6) Member of the Risk & Capital Committee

Senior Management

Argo Group International Holdings, Ltd.

Mark E. Watson III mark.watson@argolimited.com	President and Chief Executive Officer
Jay S. Bullock jay.bullock@argolimited.com	Executive Vice President and Chief Financial Officer
Stuart Boyne stuart.boyne@argolimited.com	Senior Vice President and Chief Human Resources Officer
Michael Fusco michael.fusco@argolimited.com	Senior Vice President and Chief Actuary
Alex Hindson alex.hindson@argolimited.com	Chief Risk Officer
Nigel Mortimer nigel.mortimer@argolimited.com	Executive Vice President, Strategy & Business Development
Anastasios Omiridis andy.omiridis@argolimited.com	Senior Vice President and Chief Accounting Officer
Jeff Radke jeff.radke@argolimited.com	Head of Global Operations
Mark H. Rose mrose@argogroupus.com	Senior Vice President and Chief Investment Officer
Axel Schmidt axel.schmidt@argolimited.com	Group Chief Underwriting Officer
Susan Spivak Bernstein susan.spivak@argolimited.com	Senior Vice President, Investor Relations

Argo Group US

Kevin J. Rehnberg	President, U.S. Operations
Frank Mike-Mayer	Chief Underwriting Officer
Mark Wade	Chief Claims Officer
Arthur Davis	President, Excess and Surplus Lines
Joshua C. Betz	President, Argo Surety
Andrew Borst	President, U.S. Specialty Programs
Rooney Gleason	President, Argo Insurance – U.S. Retail
Kurt Tipton	President, Rockwood
Ronald Vindivich	President, Trident Public Risk Solutions

International Specialty

Nigel Mortimer	President, Argo Insurance Bermuda
Pedro Purm, Jr.	President, Argo Seguros
Matthew Wilken	President, Argo Re

Syndicate 1200

David Harris	Managing Director
Bruno Ritchie	Underwriting Director
David Lang	Chief Operating Officer

Summary of Significant Accounting Policies

Business. Argo Group International Holdings, Ltd. and subsidiaries (collectively, "we" or "Argo Group") is an international underwriter of specialty insurance and reinsurance products in the property and casualty market.

Basis of Presentation. The condensed consolidated financial statements of Argo Group have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The information in the Condensed Consolidated Balance Sheets, the Condensed Consolidated Statements of Income and the Condensed Consolidated Statements of Cash Flows, shown on pages 18 through 20, is derived from the information in the Consolidated Balance Sheets, the Consolidated Statements of Income and the Consolidated Statements of Cash Flow in Argo Group International Holdings, Ltd. 2015 Form 10-K. For complete financial statements, including notes, please refer to the Consolidated Financial Statements beginning on Page F-1 of Argo Group International Holdings, Ltd. 2015 Form 10-K. See also Management's Discussion and Analysis of Financial Condition and Results of Operations and other information in the 2015 Form 10-K.

The financial statements include the accounts and operations of Argo Group. All material intercompany accounts and transactions have been eliminated.

10% Stock Dividend. On February 17, 2015, our Board of Directors declared a 10% stock dividend payable on March 16, 2015, to shareholders of record at the close of business on March 2, 2015. On May 7, 2013, our Board of Directors declared a 10% stock dividend, payable on June 17, 2013, to shareholders of record at the close of business on June 3, 2013. For the years ended December 31, 2014 and 2013, all references to share and per share amounts in these condensed consolidated financial statements have been adjusted to reflect the stock dividends for all periods presented.

Investments. Investments in fixed maturities at December 31, 2015 and 2014 include bonds and structured securities. Equity securities include common stocks. Other investments consist of private equity funds and limited partnerships. Short-term investments consist of money market funds, funds on deposit with Lloyd's as security to support the corporate member's capital, United Kingdom short-term government gilts, U.S. Treasury bills, sovereign debt and interest-bearing cash accounts. Short-term investments, maturing in less than one year, are classified as investments in the consolidated financial statements.

Goodwill and Intangible Assets. Goodwill is the result of the purchase prices of our business combinations being in excess of the identified net tangible and intangible assets. Goodwill is recorded as an asset and is not amortized. Intangible assets with a finite life are amortized over the estimated useful life of the asset. Intangible assets with an indefinite useful life are not amortized. Goodwill and intangible assets are tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the goodwill or intangible asset is impaired, it is written down to its fair value with a corresponding expense reflected in the Consolidated Statements of Income. Goodwill and intangible assets are allocated to the segment in which the results of operations for the acquired company are reported.

Amortization expense incurred in 2015, 2014 and 2013 associated with assets having a finite life was $7.5 million, $5.6 million and $6.1 million, respectively.

Earned Premiums. Premium revenue is recognized ratably over the policy period. Premiums that have yet to be earned are reported as "Unearned premiums" in the Condensed Consolidated Balance Sheets.

Reserves for Losses and Loss Adjustment Expenses. Liabilities for unpaid losses and loss adjustment expenses include the accumulation of individual case estimates for claims reported as well as estimates of incurred but not reported claims and estimates of claim settlement expenses. Reinsurance recoverables on unpaid claims and claim expenses represent estimates of the portion of such liabilities that will be recoverable from reinsurers. Amounts recoverable from reinsurers are recognized as assets at the same time and in a manner consistent with the unpaid claims liabilities associated with the reinsurance policy.

Income Taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change is enacted.

(Further information on our accounting policies can be found in Argo Group's 2015 Form 10-K: in the Critical Accounting Policies section of Management's Discussion and Analysis and also in Note 1 to the Financial Statements).

Condensed Consolidated Balance Sheets

(in millions, except number of shares and per share amounts)

	As of December 31	
	2015	2014
ASSETS		
Investments:		
Fixed maturities, at fair value:		
Available-for-sale (cost: 2015 - $2,971.0; 2014 - $2,817.2)	**$ 2,927.3**	$ 2,840.7
Equity securities, at fair value (cost: 2015 - $349.7; 2014 - $324.8)	**463.9**	503.8
Other investments (cost: 2015 - $499.6; 2014 - $488.9)	**513.7**	495.1
Short-term investments, at fair value (cost: 2015 - $211.2; 2014 - $258.3)	**210.8**	258.3
Total investments	**4,115.7**	4,097.9
Cash	**121.7**	81.0
Premiums receivable and reinsurance recoverable	**1,525.6**	1,350.8
Goodwill and other intangibles, net of accumulated amortization	**225.5**	230.8
Current income taxes receivable, net	**11.6**	14.9
Ceded unearned premiums	**250.8**	207.6
Other assets	**379.2**	373.3
Total Assets	**$ 6,630.1**	$ 6,356.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Reserves for losses and loss adjustment expenses	**$ 3,123.6**	$ 3,042.4
Unearned premiums	**886.7**	817.2
Ceded reinsurance payable, net	**312.4**	178.8
Senior unsecured fixed rate notes	**143.8**	143.8
Other indebtedness	**55.2**	62.0
Junior subordinated debentures	**172.7**	172.7
Deferred tax liabilities, net	**23.6**	53.0
Accrued underwriting expenses and other liabilities	**244.0**	239.7
Total liabilities	**4,962.0**	4,709.6
Shareholder's equity		
Common shares - $1.00 par, 37,105,922 and 36,889,386 shares issued at December 31, 2015 and 2014, respectively	**37.1**	34.3
Additional paid-in capital	**964.9**	836.3
Treasury shares (9,181,644 and 8,606,489 shares at December 31, 2015 and 2014, respectively)	**(331.1)**	(301.4)
Retained earnings	**985.7**	969.4
Accumulated other comprehensive income, net of taxes	**11.5**	108.1
Total shareholders' equity	**1,668.1**	1,646.7
Total liabilities and shareholders' equity	**$ 6,630.1**	$ 6,356.3

Please see accompanying "Summary of Significant Accounting Policies" on page 17.

Condensed Consolidated Statements of Income and Comprehensive Income

(in millions, except number of shares and per share amounts)

	As of December 31		
	2015	2014	2013
Premiums and other revenue:			
Earned premiums	**$ 1,371.9**	$ 1,338.1	$ 1,303.8
Net investment income	**85.6**	86.6	100.0
Net realized investment and other gains	**27.1**	94.0	71.3
Total Revenue	**1,484.6**	1,518.7	1,475.1
Expenses:			
Losses and loss adjustment expenses	**766.1**	747.4	742.0
Other reinsurance-related expenses	—	—	19.2
Underwriting, acquisition and insurance expenses	**539.6**	539.2	510.8
Interest expense	**19.0**	19.9	20.2
Fee and other expense, net	**0.7**	0.6	4.9
Foreign currency exchange gain	**(18.3)**	(7.8)	(1.7)
Impairment of intangible assets	**0.0**	3.4	0.0
Total Expenses	**1,307.1**	1,302.7	1,295.4
Income before income taxes	**177.5**	216.0	179.7
Provision for income taxes	**14.3**	32.8	36.5
Net income	**$ 163.2**	$ 183.2	$ 143.2
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	**$ (6.0)**	$ (4.1)	$ (2.8)
Defined benefit pension plans net (loss) gain arising during the period	**0.1**	(2.4)	1.3
Unrealized gains on securities:			
(Losses) gains arising during the period	**(89.8)**	(12.5)	0.2
Reclassification adjustment for gains included in net income	**(0.9)**	(20.7)	(40.4)
Other comprehensive (loss) income, net of tax	**(96.6)**	(39.7)	(41.7)
Comprehensive income	**$ 66.6**	$ 143.5	$ 101.5
Net income per common share:			
Basic	**$ 5.84**	$ 6.39	$ 4.85
Diluted	**$ 5.72**	$ 6.27	$ 4.67
Cash dividend declared per common share:	**$ 0.80**	$ 0.63	$ 0.54
Weighted average common shares:			
Basic	**27,972,962**	28,690,306	29,536,472
Diluted	**28,533,299**	29,212,848	30,656,483

Please see accompanying "Summary of Significant Accounting Policies" on page 17.

Condensed Consolidated Statements of Cash Flows

(in millions, except number of shares and per share amounts)

	For the Years Ended December 31		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$ 163.2	$ 183.2	$ 143.2
Adjustments to reconcile net income to			
net cash provided (used) by operating activities:			
Amortization and depreciation	38.7	37.2	39.6
Share-based payments expense	29.1	19.6	23.3
Excess tax expense from share-based payments arrangements	(0.6)	(0.1)	(0.2)
Deferred federal income tax provision (benefit), net	8.3	27.6	3.8
Net realized investment and other gains	(27.1)	(94.0)	(71.3)
Loss on disposal of fixed assets, net	0.2	—	0.2
Impairment of intangible assets	—	3.4	—
Change in:			
Receivables	(182.6)	256.7	86.7
Reserves for losses and loss adjustment expenses	94.3	(182.0)	(8.9)
Unearned premiums	76.5	39.1	51.4
Ceded reinsurance payable and funds held	157.2	(163.9)	(246.4)
Other assets and liabilities, net	(74.6)	3.7	(21.6)
Cash provided (used) by operating activities	282.6	130.5	(0.2)
Cash flows from investing activities:			
Sales, maturities and mandatory calls of investments	1,811.8	1,585.0	2,248.1
Purchases of investments	(2,034.1)	(1,736.8)	(1,975.8)
Change in short-term investments, foreign regulatory			
deposits and voluntary pools	49.6	96.5	(153.0)
Settlements of foreign currency exchange forward contracts	(10.1)	(1.1)	(3.9)
Other, net	(10.8)	(64.9)	5.4
Cash (used) provided by investing activities	(193.6)	(121.3)	120.8
Cash flows from financing activities:			
Payment on note payable	—	(0.1)	—
Redemption of trust preferred securities, net	—	(18.0)	—
Activity under stock incentive plans	1.8	4.6	2.6
Repurchase of company's common shares	(29.7)	(50.8)	(46.5)
Excess tax expense from share-based payment arrangements	0.6	0.1	0.2
Payment of cash dividend to common shareholders	(22.7)	(18.2)	(15.8)
Cash used by financing activities	(50.0)	(82.4)	(59.5)
Effect of exchange rate changes on cash	1.7	(3.2)	0.5
Change in cash	40.7	(76.4)	61.6
Cash, beginning of period	81.0	157.4	95.8
Cash, end of period	$ 121.7	$ 81.0	$ 157.4

Please see accompanying "Summary of Significant Accounting Policies" on page 17.

Shareholder Information

Stock Listing

Argo Group International Holdings, Ltd. common stock trades on NASDAQ under the symbol AGII.

Stock Transfer Agent

Questions regarding stock registration, change of address, change of name, or transfer should be directed to:
American Stock Transfer
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www.amstock.com
T. 800.937.5449
e-mail address: info@amstock.com

Corporate Office

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Shareholder Services / Investor Relations

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Forward-Looking Statements Disclosure

This report contains certain statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are qualified by the inherent risks and uncertainties surrounding future expectations generally and also may differ materially from actual future experience involving any one or more of such statements. For a more detailed discussion of such risks and uncertainties, see Argo Group’s filings with the SEC. The inclusion of a forward-looking statement herein should not be regarded as a representation by Argo Group that Argo Group’s objectives will be achieved. Argo Group undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.