# Investor Presentation
## 2021 First Quarter

# Informational Statements

The Private Securities Litigation Reform Act of 1995 (“PSLRA”) provides a “safe harbor” for forward-looking statements. This release or any other written or oral statements made by or on behalf of Arch Capital Group Ltd. and its subsidiaries may include forward‒looking statements, which reflect our current views with respect to future events and financial performance. All statements other than statements of historical fact included in or incorporated by reference in this release are forward-looking statements.

Forward-looking statements, for purposes of the PSLRA or otherwise, can generally be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe” or “continue” and similar statements of a future or forward-looking nature or their negative or variations or similar terminology. Forward‒looking statements involve our current assessment of risks and uncertainties. Actual events and results may differ materially from those expressed or implied in these statements. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes the following: adverse general economic and market conditions; increased competition; pricing and policy term trends; fluctuations in the actions of rating agencies and our ability to maintain and improve our ratings; investment performance; the loss of key personnel; the adequacy of our loss reserves, severity and/or frequency of losses, greater than expected loss ratios and adverse development on claim and/or claim expense liabilities; greater frequency or severity of unpredictable natural and man-made catastrophic events; the effect of contagious diseases (including COVID-19); the impact of acts of terrorism and acts of war; changes in regulations and/or tax laws in the United States or elsewhere; our ability to successfully integrate, establish and maintain operating procedures as well as consummate acquisitions and integrate the businesses the Company has acquired or may acquire into the existing operations; changes in accounting principles or policies; material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements; availability and cost to us of reinsurance to manage our gross and net exposures; the failure of others to meet their obligations to us; changes in the method for determining the London Inter-bank Offered Rate (“LIBOR”) and the potential replacement of LIBOR and other factors identified in our filings with the U.S. Securities and Exchange Commission (“SEC”).

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. All subsequent written and oral forward‒looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or revise any forward‒looking statement, whether as a result of new information, future events or otherwise.

This presentation contains non-GAAP financial measures as defined by Regulation G of the rules of the SEC. Arch Capital Group Ltd. (the ”Company”) believes these non-GAAP measures provide users of its financial information meaningful and useful insight in evaluating the performance of the Company. Investors should consider non-GAAP measures in addition to, and not as a substitute for, or superior to, the comparable GAAP measures. The reconciliation to GAAP and definition of operating income can be found in the Current Report on Form 8-K furnished to the SEC by the Company in connection with its most recent earnings press release, and is also available on the Company's website: www.archcapgroup.com. From time to time, the Company posts additional financial information and presentations to its website, including information with respect to its subsidiaries, and investors and other recipients of this information are encouraged to check the website.

# Creating Shareholder Value Throughout The Cycle

## Generate Superior Risk Adjusted Returns

- Thorough risk assessment of underlying exposures
- Align executive compensation with long term performance
- Efficient capital management

## Focus on Underwriting

- Talent intensive, not people intensive
- Specialty lines platforms
- Active cycle management

## Conservative Balance Sheet

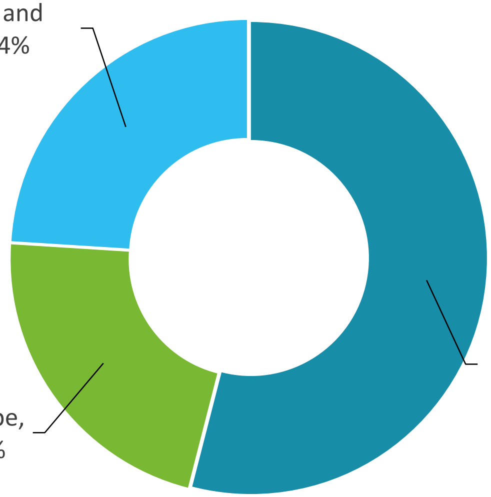
- Minimize investment risk
- Cautious reserving philosophy
- Low financial leverage and strong liquidity

# Specialty (Re)insurance Strategy

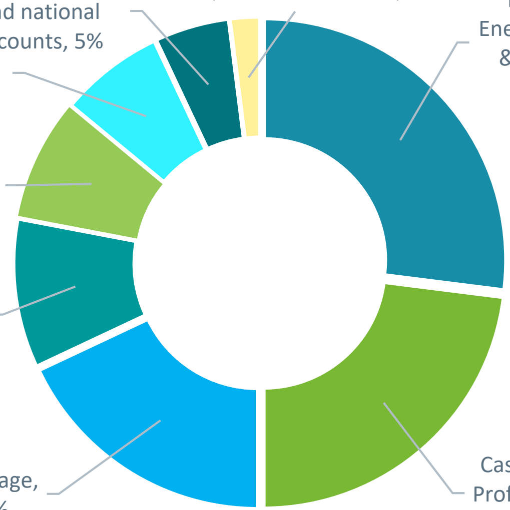
Arch operates leading Specialty P&C and Mortgage Insurance businesses across a wide range of geographies and products providing meaningful diversification and earnings stability.

| Trailing Twelve Months Ended March 31, 2021 | | | |
|---|---|---|---|
| **Gross premiums written ($10.2B)** | 48% insurance | 37% reinsurance | 15% mortgage |
| **Net premiums written ($7.3B)** | 46% insurance | 36% reinsurance | 18% mortgage |

## Underwriting Location[1]



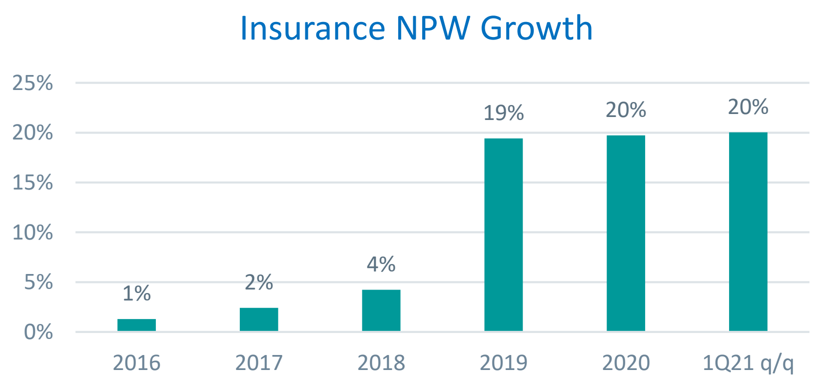

## Line of Business[1]

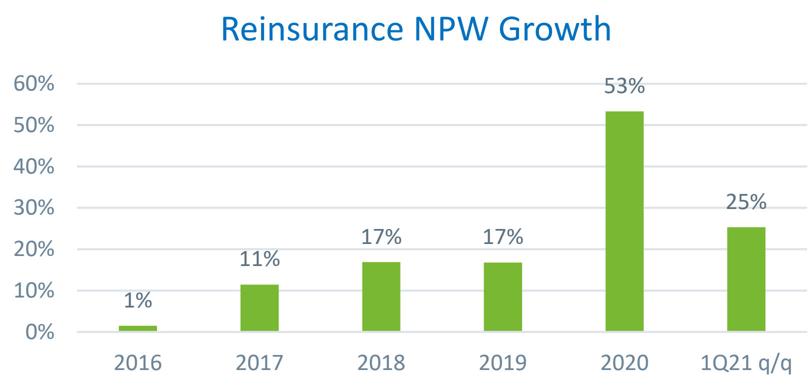



[1] Based on net premiums written, excluding amounts attributable to the 'other' segment (Watford)
[2] Includes casualty, professional liability, executive assurance, healthcare, contract binding, and excess motor
[3] Includes insurance for lenders products, alternative markets, and other insurance and reinsurance
[4] Includes reinsurance for proportional motor, trade credit, surety, workers' compensation catastrophe, and other

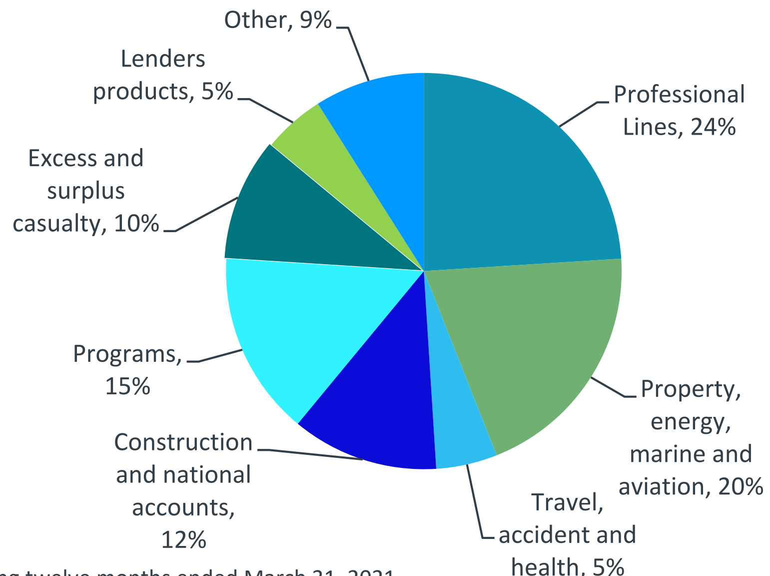
## Improving underwriting conditions leading to growth

### Calendar Year Net Premiums Written Growth (y/y change)

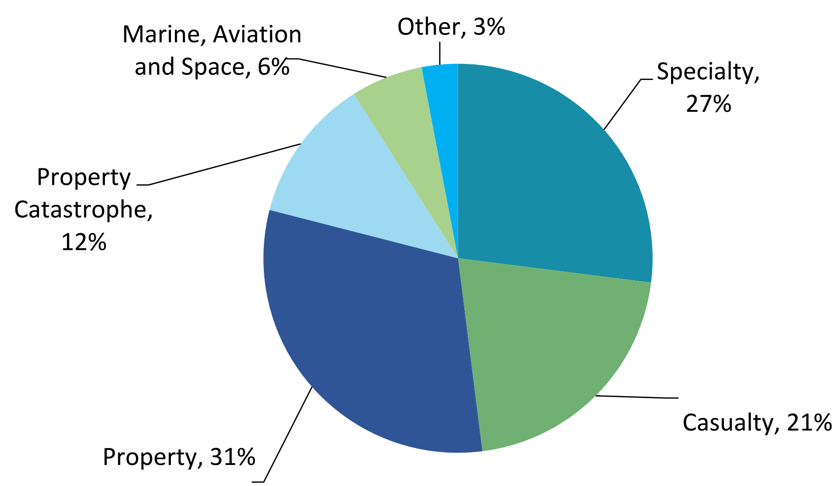



### Insurance Net Premiums Written $3.3B*



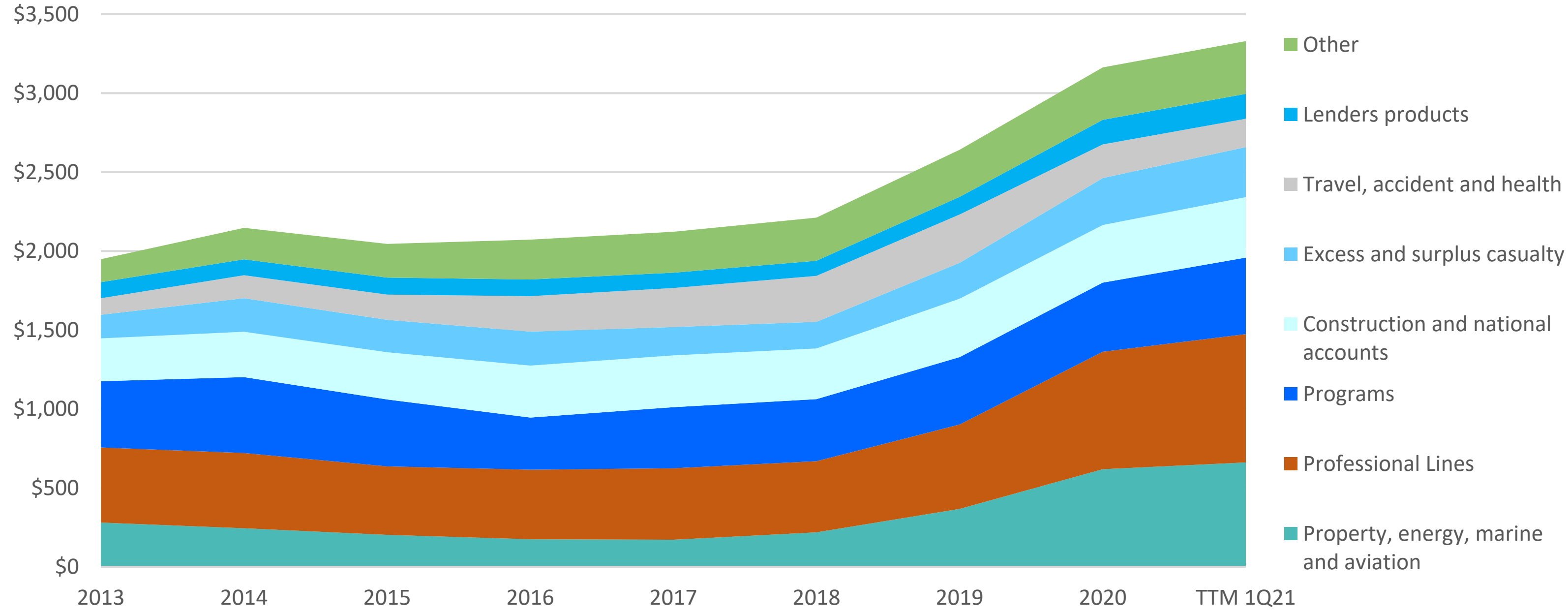

### Reinsurance Net Premiums Written $2.7B*




*Trailing twelve months ended March 31, 2021.

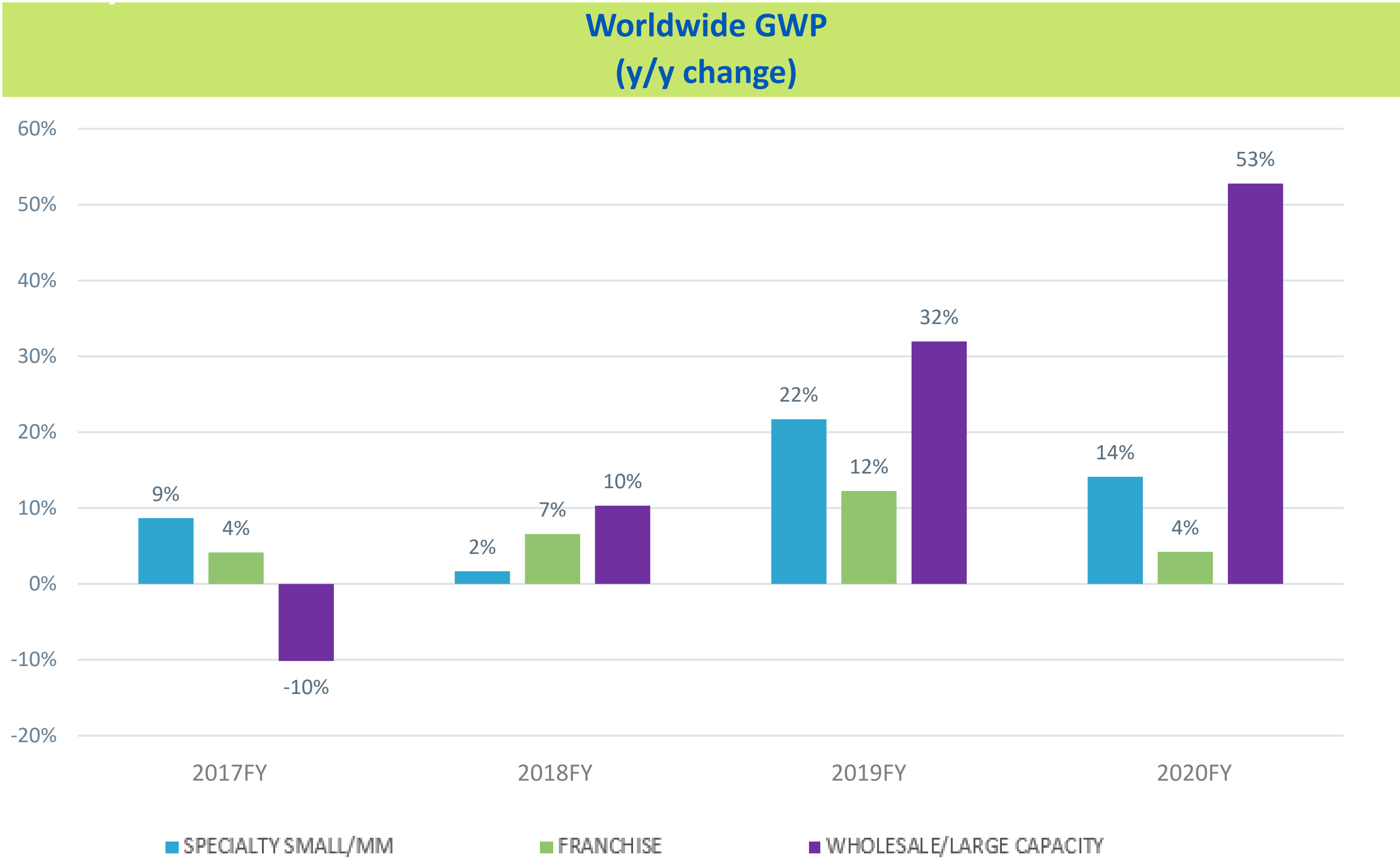
# Specialty Insurance

## Calendar Year Net Premiums Written by Line ($M)




***Insurance Segment*: Professional Lines** includes professional liability, executive assurance and healthcare business. **Excess and surplus casualty** includes casualty and contract binding business. **Other** includes alternative markets, excess workers's compensation and surety business.

# Growth Driven by Wholesale/Large Capacity

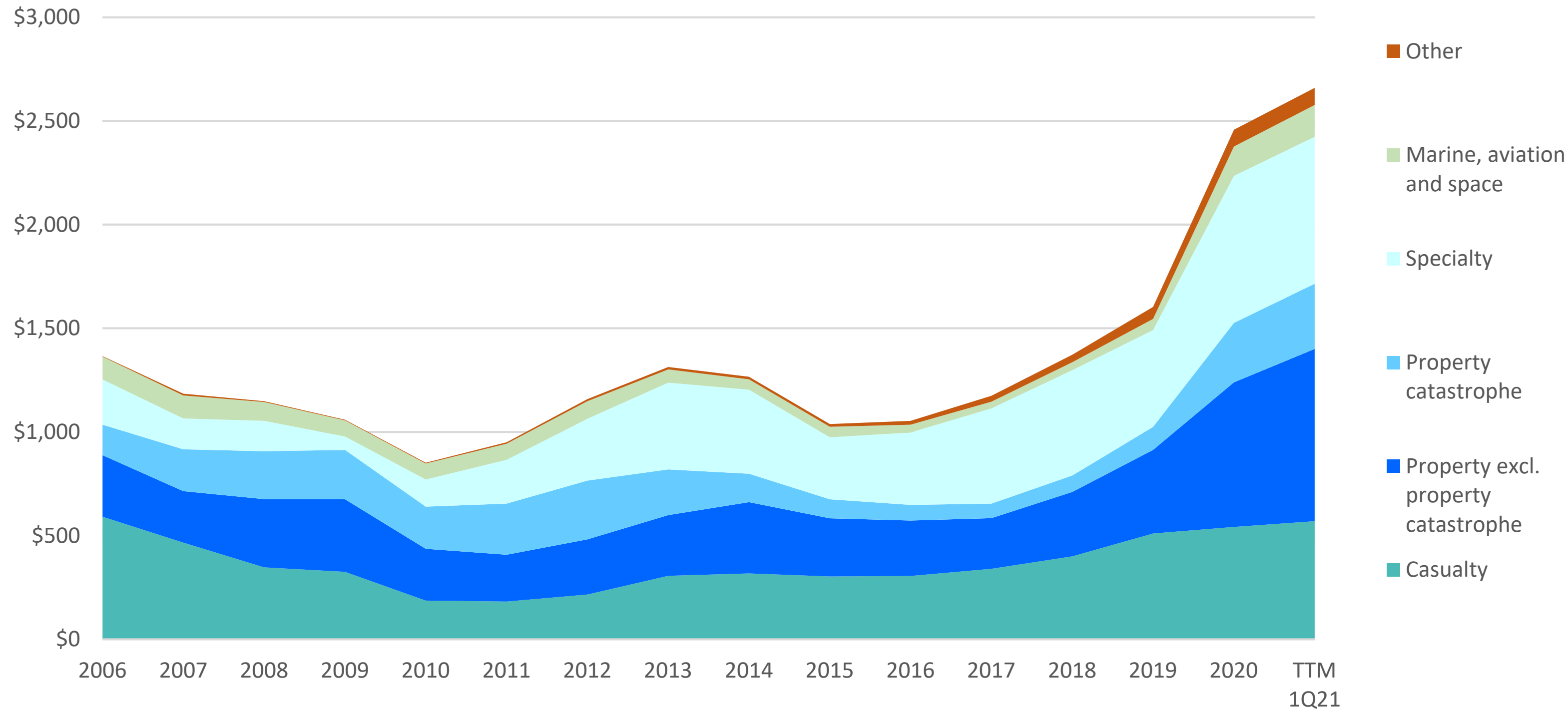



**Whole sale/Large Capacity** includes property, marine, offshore, casualty, high capacity EA, onshore energy, med mal. **Special Small/Middle Market** includes programs, contract binding, MM casualty, UK Regional, private D&O**. Franchise Positions** includes construction, alt markets, national accts, surety, lenders, travel & accident.

# Flexing into a Hardening Market (Reinsurance)

Arch

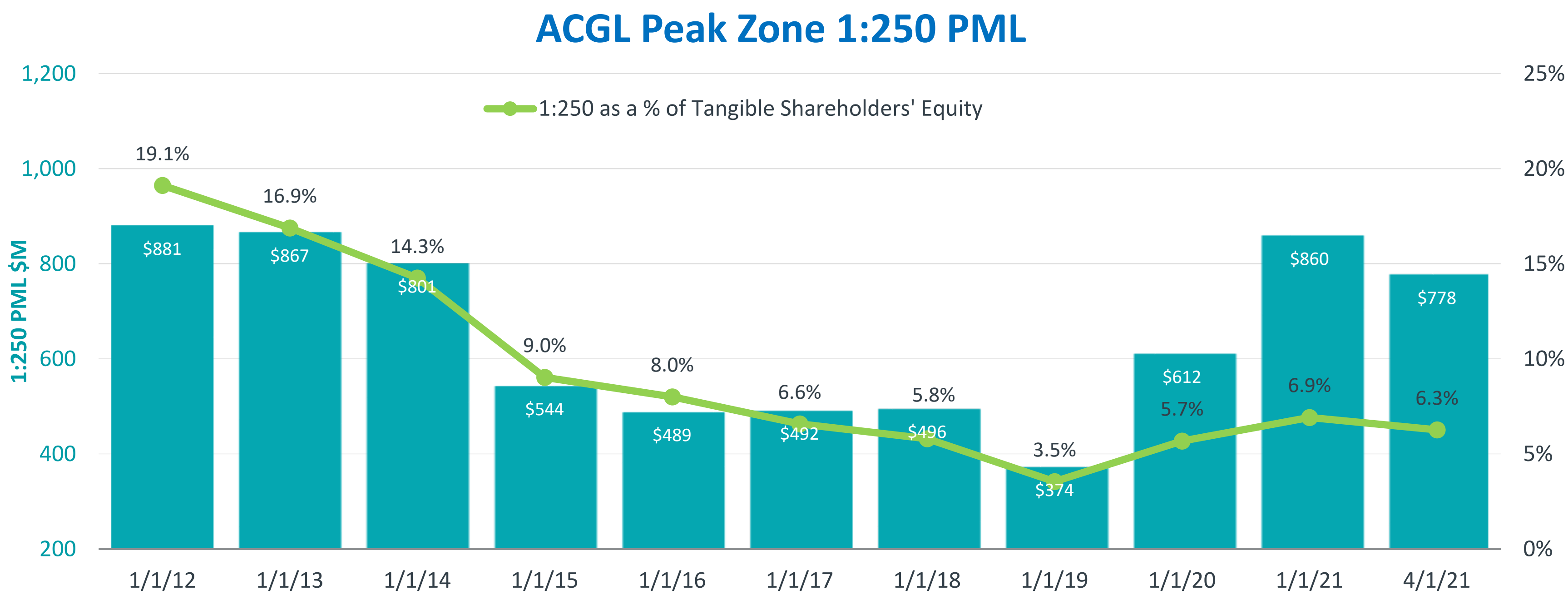
## Calendar Year Net Premiums Written by Line ($M)




***Reinsurance Segment*: Casualty** includes executive assurance, professional liability, workers' compensation, healthcare, Motor XOL and other. **Specialty** includes proportional motor, surety, accident and health, workers' compensation catastrophe, agriculture, trade credit and other. **Other** includes life, casualty clash and other.

# Catastrophe Risk – 1:250 Year Peak Zone

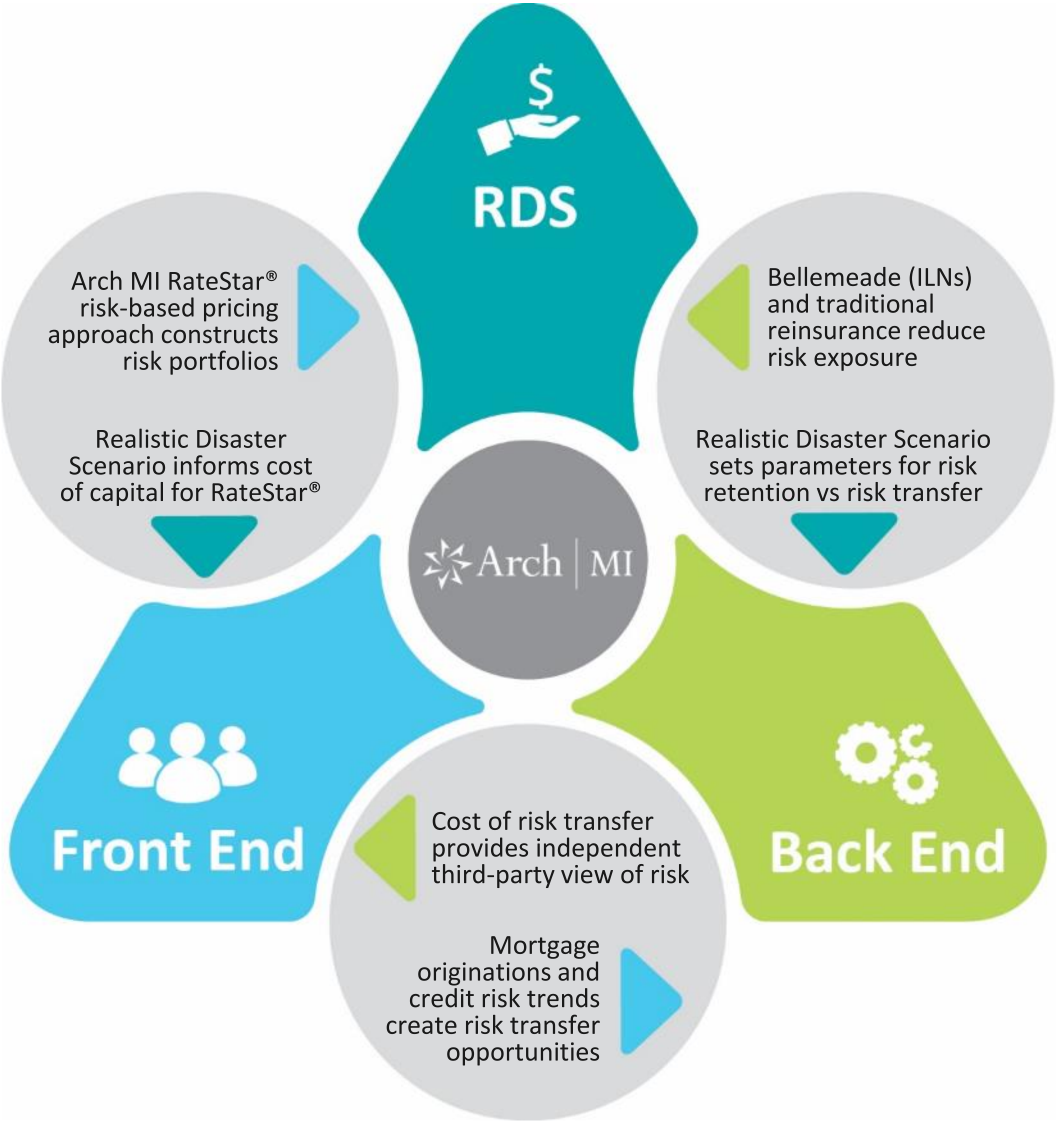
## ACGL Peak Zone 1:250 PML




* Total shareholders' equity available to Arch less Goodwill and intangible assets

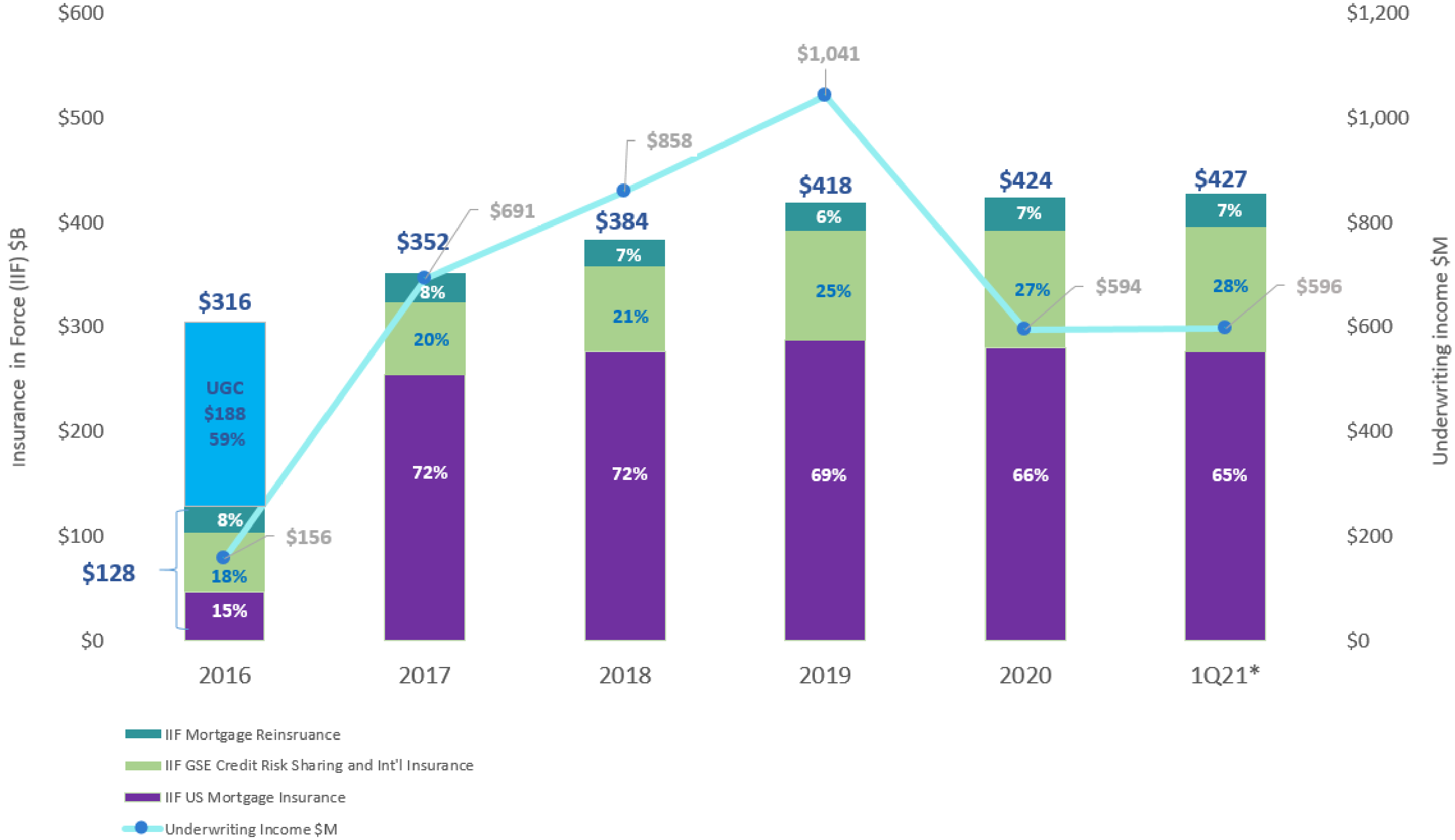
## Differentiated Business Model

- Arch aggregates risk from diversified sources and then utilizes a variety of tools for managing mortgage and credit risk.
- Arch seeks to limit risk exposure from a severe economic event (RDS) to protect capital.
- Mortgage Segment is positioned for consistent, attractive returns throughout the cycle.



Arch

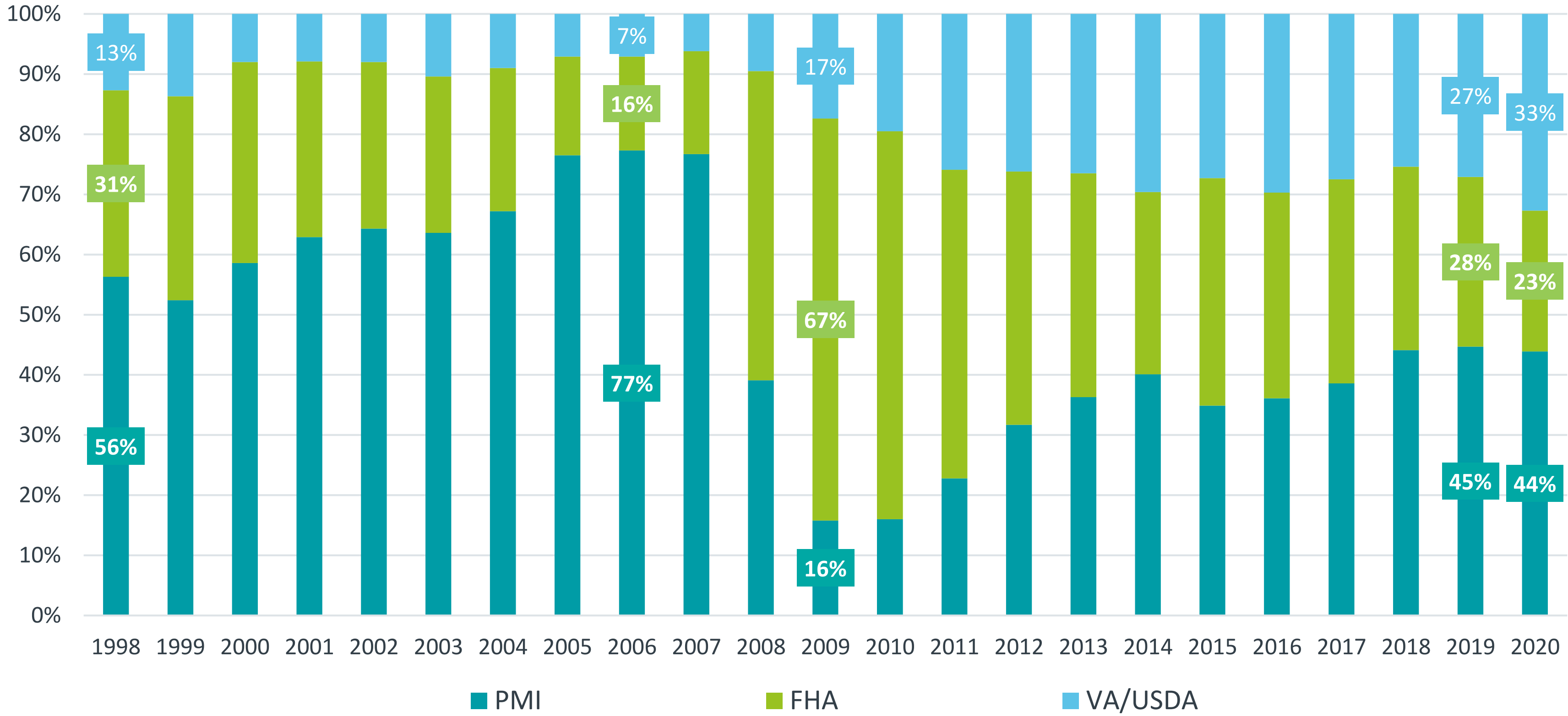
## Insurance In Force (IIF) and Underwriting Income




*Underwriting income for 1Q21 is for the trailing 12 months ended March 31, 2021

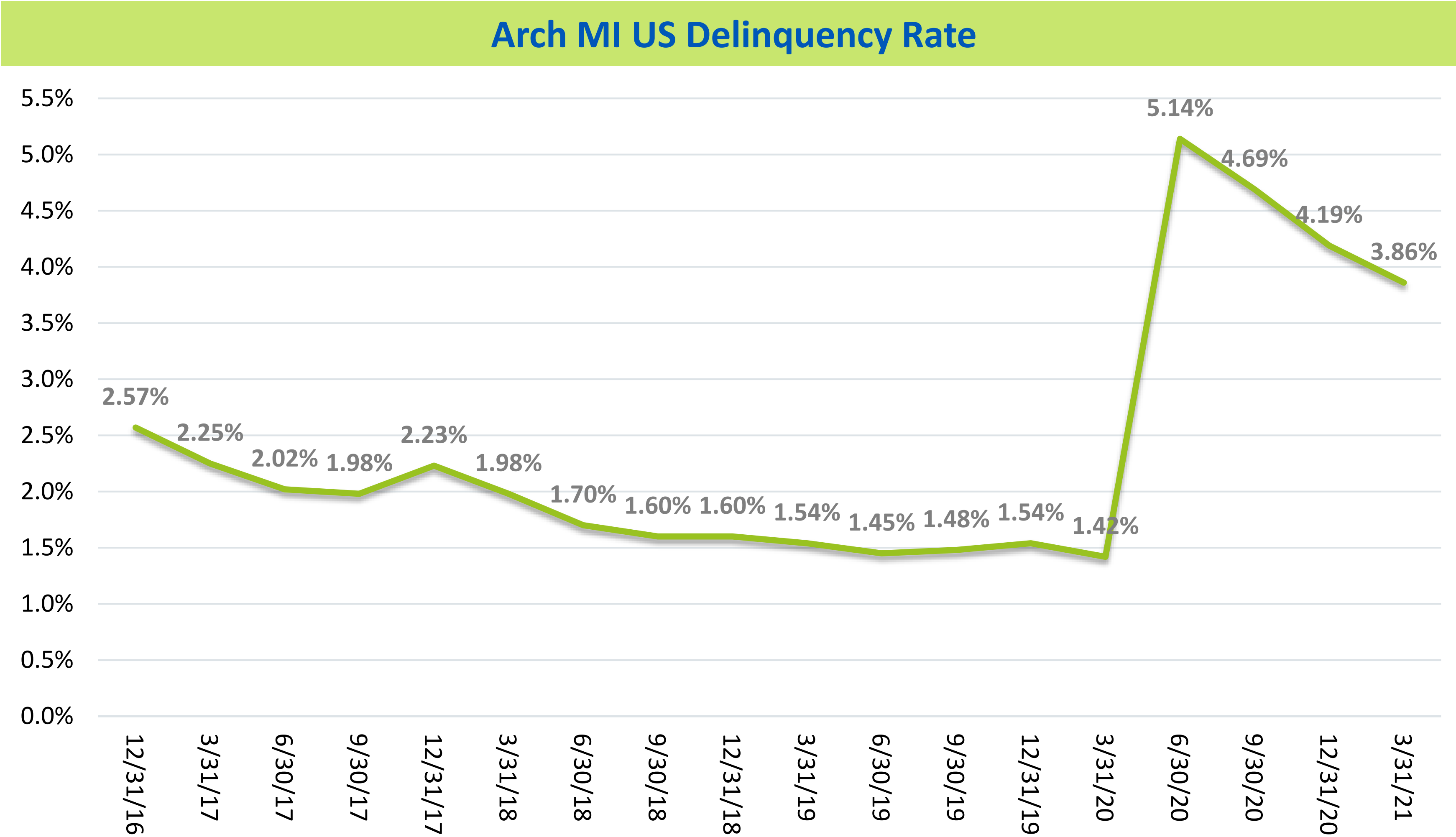
**PMIs' share of insured originations has generally been increasing since the Great Recession, but declined slightly in 2020 due to heavy refi activity.**

## Market Shares of Insured Originations




Source: Inside Mortgage Finance

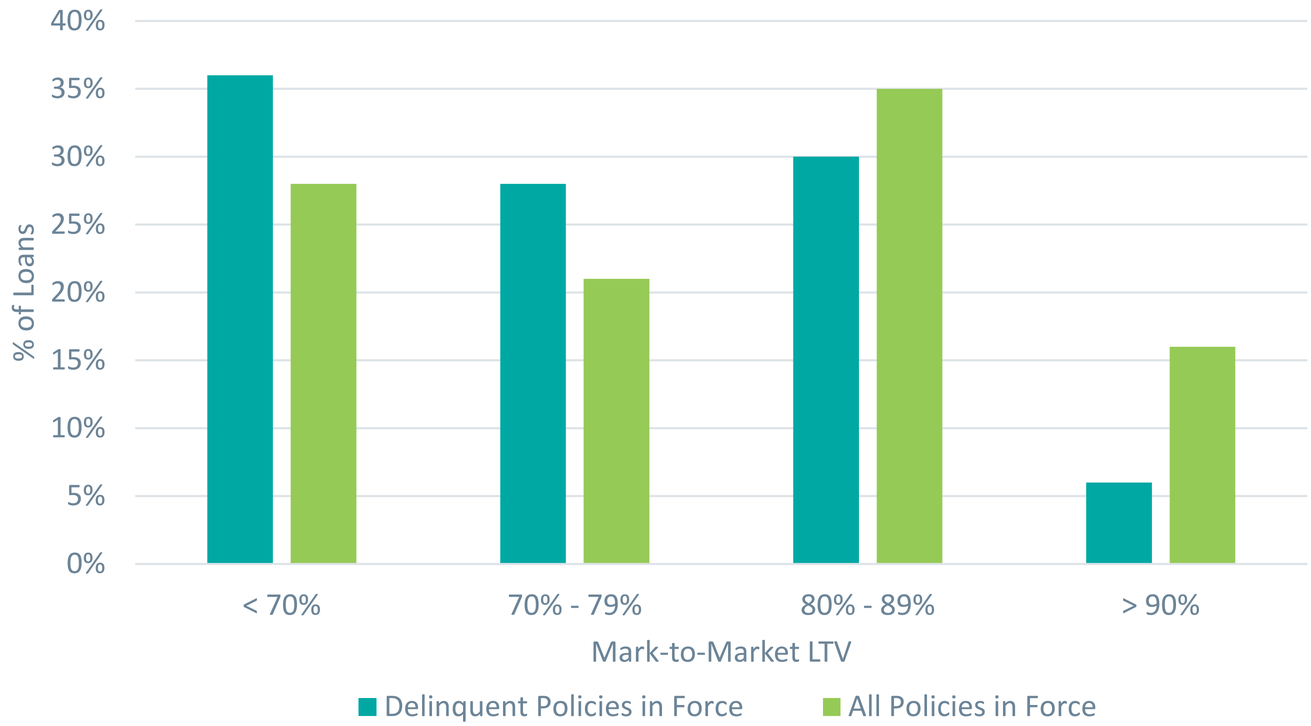
# Pandemic Led Rise In US Delinquency Rate




As of 03/31/2021, PMIERs sufficiency ratio: 190% – Calculated as available assets divided by required assets as defined within PMIERs; $1.8 billion of excess available assets.

# Equity Position of Delinquent Borrowers

## Distribution of Arch Insured Loans by Estimated Mark-to-Market LTV*




An Estimated 94% of Arch Delinquencies Have at Least 10% Equity, Thanks in Part to Strong House Price Appreciation

*MTM LTVs are estimated based on amortization and house price appreciation at the MSA level. House price appreciation is based on the FHFA All-Transactions House Price Index. Data is as of 3/31/21, based on home price appreciation through 12/31/20.

| March 31, 2021 ($ in millions) | Bellemeade Re Insurance-Linked Notes Key Metrics (1)* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017-1 | 2018-1 | 2018-2 | 2018-3 | 2019-1 | 2019-2 | 2019-3 | 2019-4 | 2020-1 (8) | 2020-2 (8) | 2020-3 (8) | 2020-4 (8) | 2021-1 (8) |
| Coverage dates for policies issued between (2) | **1/17-6/17** | **7/17-12/17** | **4/13-12/15** | **1/18-6/18** | **2005-2008 (3)** | **7/18-12/18** | **2016** | **1/19-6/19** | **7/19-12/19 (10)** | **1/20-5/20** | **6/20-8/20** | **7/19-12/19 (10)** | **9/20-11/20** |
| Initial risk in force | 7,362 | 7,489 | 12,809 | 7,970 | 5,944 | 8,872 | 9,284 | 7,216 | 10,571 | 7,187 | 6,951 | 8,121 | 8,581 |
| Current risk in force | 2,350 | 2,888 | 4,471 | 2,667 | 2,779 | 2,983 | 4,168 | 3,195 | 6,740 | 5,851 | 6,452 | 6,227 | 8,417 |
| Initial coverage at issuance date (ILN) | 368 | 374 | 653 | 506 | 342 | 621 | 701 | 577 | 450 | 423 | 418 | 321 | 580 |
| Current coverage (ILN) | 146 | 250 | 67 | 303 | 219 | 398 | 528 | 469 | 133 | 369 | 418 | 321 | 580 |
| Initial coverage at issuance date (traditional XOL) | - | - | - | - | - | - | - | - | 79 | 26 | 34 | 16 | 64 |
| Current coverage (traditional XOL) | - | - | - | - | - | - | - | - | 8 | 12 | 34 | 16 | 64 |
| Arch's retention layer | 166 | 169 | 352 | 179 | 208 | 222 | 232 | 162 | 793 | 252 | 174 | 150 | 172 |
| Claims paid under Arch's retention layer | 4 | 3 | 4 | 3 | 17 | 3 | 1 | 1 | - | - | - | - | - |
| Incurred losses under Arch's retention layer | 41 | 47 | 48 | 53 | 104 | 63 | 54 | 48 | 42 | 16 | 6 | 8 | 2 |
| Arch remaining retention, net of incurred losses | 124 | 122 | 304 | 125 | 104 | 159 | 178 | 114 | 751 | 235 | 168 | 142 | 170 |
| Delinquency % (4)(9) | 6.17% | 6.04% | 3.55% | 7.66% | 9.42% | 8.55% | 5.00% | 6.72% | 3.17% | 1.39% | 0.59% | 0.85% | 0.20% |
| Delinquency trigger % (5) | 5.00% | 5.00% | 4.00% | 5.00% | 8.00% | 5.00% | 4.00% | 5.00% | N/A | N/A | N/A | N/A | N/A |
| Initial attachment % (cumulative losses as % of RIF) | 2.25% | 2.25% | 2.75% | 2.25% | 3.50% | 2.50% | 2.50% | 2.25% | 7.50% | 3.50% | 2.50% | 1.85% | 2.00% |
| Initial detachment % (cumulative losses as % of RIF) | 7.25% | 7.25% | 7.85% | 8.60% | 9.25% | 9.50% | 10.05% | 10.25% | 12.50% | 9.75% | 9.00% | 6.00% | 9.50% |
| Current attachment % (6) (cumulative losses as % of RIF) | 7.05% | 5.83% | 7.88% | 6.72% | 7.49% | 7.43% | 5.57% | 5.08% | 11.76% | 4.30% | 2.69% | 2.41% | 2.04% |
| Current detachment % (7) (cumulative losses as % of RIF) | 13.24% | 14.49% | 9.37% | 18.07% | 15.38% | 20.79% | 18.24% | 19.75% | 13.86% | 10.81% | 9.70% | 7.82% | 9.69% |

* Numbers may not foot due to rounding.

See notes on next page.

# Arch MI US – Bellemeade Reinsurance Coverage by Deal

(1) Through March 31, 2021, including the $219M of reinsurance coverage provided directly by a panel of reinsurers through traditional excess of loss agreements, Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company ("UGRIC") (together, "Arch MI" or the "Company"), has entered into various aggregate excess of loss mortgage reinsurance agreements with special purpose reinsurance companies ("SPRs") domiciled in Bermuda (the "Bellemeade Agreements"). The SPRs are not subsidiaries or affiliates of the Company. Based on applicable accounting guidance, the Company does not consolidate the SPRs in its consolidated financial statements.

(2) An immaterial number of loans in each transaction have coverage dates outside of the indicated ranges.

(3) Policies between 2005 and 2008 were issued by UGRIC; Policies through 2015 were issued by both UGRIC and Arch Mortgage Insurance Company.

(4) Represents the percentage of risk in force that is 60 or more days delinquent.

(5) When delinquency triggers reached then bond amortization stops and coverage remains constant.

(6) Represents the amount of cumulative losses as a percentage of current risk in force that the Company retains prior to the Bellemeade notes absorbing losses.

(7) Represents the amount of cumulative losses as a percentage of current risk in force that must be reached before the Company starts absorbing losses again.

(8) The Bellemeade 2020-1, 2020-2, 2020-3, 2020-4, and 2021-1 delinquency triggers are not driven by a static delinquency percentage, but occur when the average sixty-day plus delinquency amount from the prior three periods is equal to or exceeds 75% of all subordinate tranches.

(9) This information regarding delinquencies and cures is reported to the Company from loan servicers. Delinquency reporting, particularly on a monthly basis, may be affected by several factors, including the date on which the report is generated and transmitted to Arch MI, updated information submitted by servicers, and by the timing of servicing transfers.

(10) There is significant overlap among the certificates of insurance covered by Bellemeade 2020-1 and 2020-4; however, the coverage provided by each of these notes is mutually exclusive.

# Key Terms of Bellemeade Re 2021-1

| | |
|---|---|
| **Cedants** | ▪ United Guaranty Residential Insurance Co. and Arch Mortgage Insurance Co. |
| **Reinsurer** | ▪ Bellemeade Re 2021-1 Ltd. (Bellemeade Re), a special purpose reinsurer domiciled in Bermuda |
| **Effective Date** | ▪ March 30, 2021 |
| **Maturity** | ▪ March 25, 2031 (optional call on March 27, 2028) |
| **Coverage** | ▪ Bellemeade Re will reinsure cedants' RIF on a pool of loans that was predominately originated between September 1, 2020 and November 30, 2020.<br>▪ Bellemeade Re is responsible for all losses exceeding 2.00% of RIF subject to an initial limit of **$579.7 million (not including $63.8 million of limit assumed by reinsurers).**<br>▪ Reinsurance from Bellemeade Re will inure to the benefit of Arch Re Ltd |
| **Allocation of Principal Repayments** | ▪ If default rate and subordination thresholds are satisfied, Class A's coverage will be reduced by its pro rata share of principal repayments on covered loans, and remaining principal repayments on covered loans will be allocated to the most senior class with coverage remaining.<br>▪ Default rate threshold is satisfied if three month average of RIF on loans in default is less than 75% of the product of the reference pool's RIF and Class A's subordination.<br>▪ Subordination threshold is satisfied if sum of coverage subordinate to Class A exceeds or equals 10.5%.<br>▪ If either the default rate or subordination thresholds are not satisfied, all principal repayments on covered loans will be allocated to Class A (i.e., no amortization of bonds) |
| **Allocation of Losses** | ▪ Covered losses are allocated sequentially to the most junior class with coverage remaining |
| **Pricing** | ▪ Initial: M-1A (BBB high rating by Morningstar and A1 by Moody's): 175 basis points (bps), M-1B (BBB /A3):220 bps, M-1C (NR/Baa3): 295 bps, M-2 (NR/Ba3): 485 bps, and B-1 (NR /B3): 675 bps (**duration weighted average: 335 bps including reinsurance and assuming exercise of call**) |
| **Security** | ▪ Bellemeade Re will maintain a trust account with funds equal to coverage it provides to cedants.<br>▪ Eligible investments for trust are money market funds that invest directly in U.S. Treasuries and agencies |

# Arch MI US – Bellemeade Reinsurance Coverage by

Arch

**As of March 31, 2021 ($ in millions)**

| Vintage | Gross RIF | Est. RIF Ceded to QS | RIF net of QS (1) | Est. Bellemeade Coverage as % of RIF net of QS | Bellemeade Reference Pool (2) |
|---|---|---|---|---|---|
| 2011 and prior | $3,086 | $ - | $3,086 | 79.7% | $2,461 |
| 2012 | 734 | - | 734 | 28.2% | 207 |
| 2013 | 1,817 | - | 1,817 | 85.2% | 1,549 |
| 2014 | 1,993 | 854 | 1,139 | 95.4% | 1,087 |
| 2015 | 3,495 | 1,414 | 2,080 | 93.5% | 1,946 |
| 2016 | 5,718 | 1,352 | 4,366 | 95.2% | 4,155 |
| 2017 | 5,413 | 111 | 5,303 | 99.6% | 5,283 |
| 2018 | 5,794 | 101 | 5,693 | 99.5% | 5,663 |
| 2019 | 10,157 | 117 | 10,041 | 99.3% | 9,975 |
| 2020 | 24,460 | 1,780 | 22,680 | 91.0% | 20,634 |
| 2021 | 6,565 | 555 | 6,010 | 0.0% | 1 |
| **Total *** | **$69,234** | **$6,284** | **$62,950** | **84.1%** | **$52,962** |

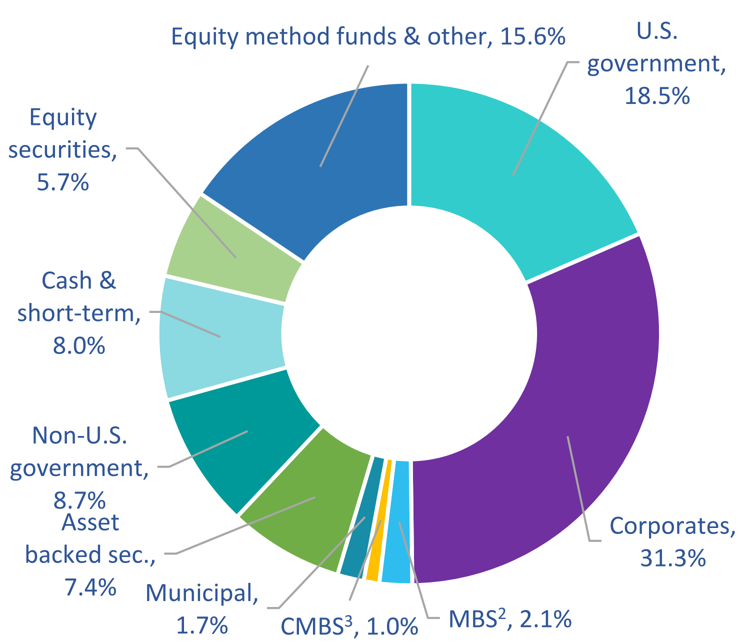
* Numbers may not foot due to rounding.

(1) RIF net of QS and excess of loss reinsurance is $55,503.

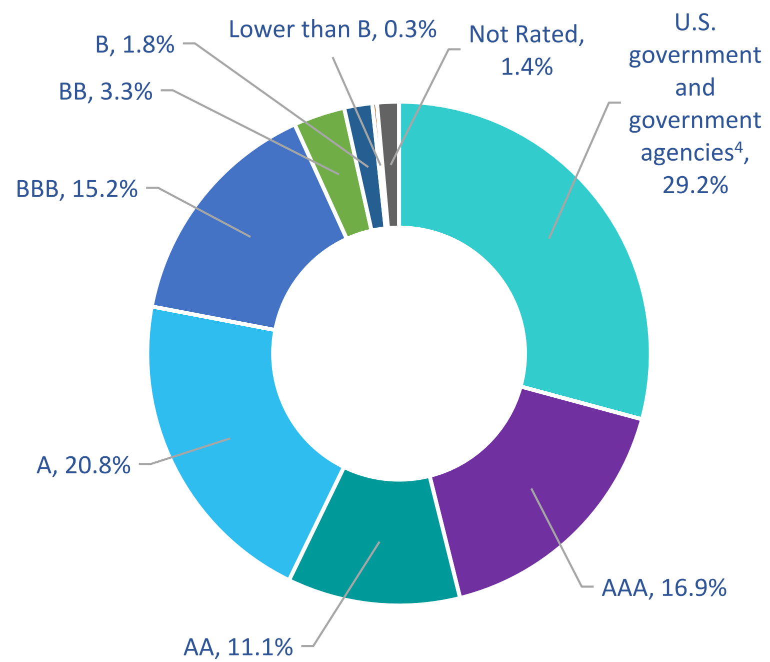
(2) There is convergence among Bellemeade 2020-1 and Bellemeade 2020-4 in the context of underlying policies and risk in force; however, the coverage provided by these notes is distinct and non-redundant. Bellemeade 2020-4 provides reinsurance coverage on tranches B-2 and B-3 of the Bellemeade 2020-1 reinsurance agreement. The Bellemeade 2020-4 reinsurance coverage is designed to detach prior to the attachment of the most junior reinsured coverage level under the Bellemeade 2020-1 transaction.

- Arch manages the portfolio conservatively to protect our reserves on an economic basis and ensure our ongoing ability to pay claims.
- Arch's investment approach is to improve the Company's Return on Equity while avoiding undue risk. We do this by focusing on total return with thoughtful target allocation and periodic rebalancing.

## Invested Assets - $26.3B[1]




## Fixed Maturity by Rating- $18.6B[1]




[1] Excluding amounts attributable to the 'other' segment (Watford)
[2] MBS = Mortgage backed securities
[3] CMBS = Commercial mortgage backed securities
[4] Includes U.S. government – sponsored agency MBS and agency CMBS.

# Our Environmental, Social & Governance Strategy

## Our ESG Impact Areas and Material ESG Topics

We focus our ESG efforts around integrating sustainability-driven thinking and decision-making into **five core impact areas** of our company. By organizing our strategy around these areas, we seek to encompass Arch's collaborative ESG successes and sustainability progress across our operations in our annual reporting to shareholders, rating agencies and the public.


| | | | | |
|---|---|---|---|---|
| -Benefits & Employee Wellbeing<br>-Diversity & Inclusion<br>-Career Development | -ERM<br>-Ethics & Code of Business Conduct<br>-Business Continuity<br>-Privacy & Data<br>-Responsible Supply Chain<br>-Operational Sustainability | -Underwriting ESG Integration<br>-Thermal Coal Policy<br>-Sustainable Insurance Solutions | -ESG Aware Statement & Approach<br>-Impact Investments | -Corporate Giving<br>-Employee Giving & Volunteering |

# Our Environmental, Social & Governance Strategy

Arch

## Our ESG Reporting

A major element of our ESG strategy is our annual reporting. We believe in the value of transparency around our sustainability initiatives, and we are committed to sharing our progress to relevant stakeholders on an annual basis across the following three reports:

**Annual Sustainability Report**:

Intended for all stakeholders and the general public. This report describes our comprehensive ESG narrative and strategy. In 2020, this report includes an overview of Arch's response to the COVID-19 pandemic and support of the social justice movement.


**Sustainability Accounting Standards Board (SASB) Report**:

Intended for investors, SASB has disclosures around the financial impacts of sustainability.

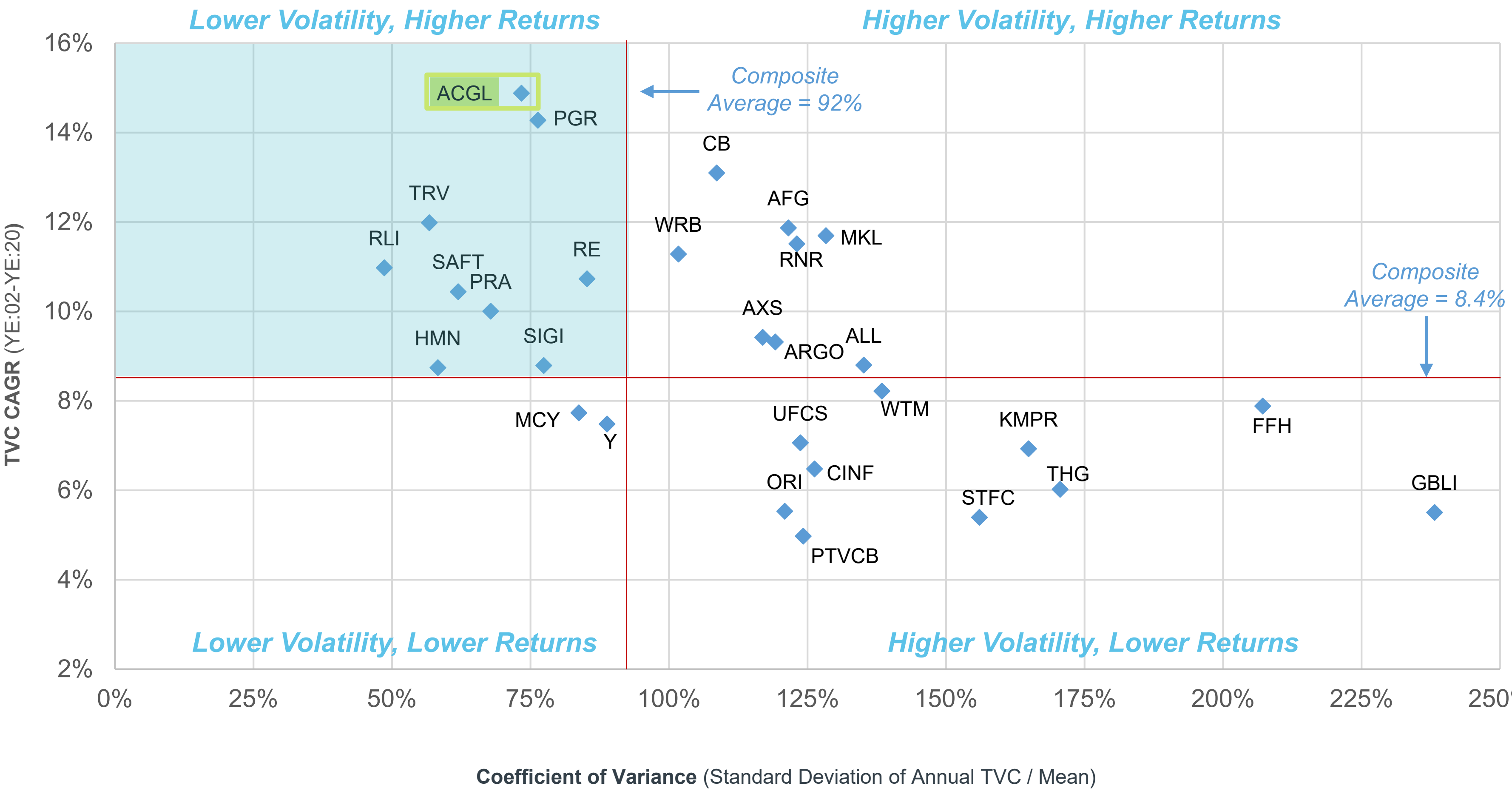
**Task Force on Climate-Related Financial Disclosures (TCFD) Report**:

Aligned with the framework set forth by the Task Force on Climate-related Financial Disclosures, this report is intended for investors, regulators, and other significant stakeholders.

# Higher, More Consistent, Historical Returns

## Total Value Creation vs. Coefficient of Variation – Total Composite

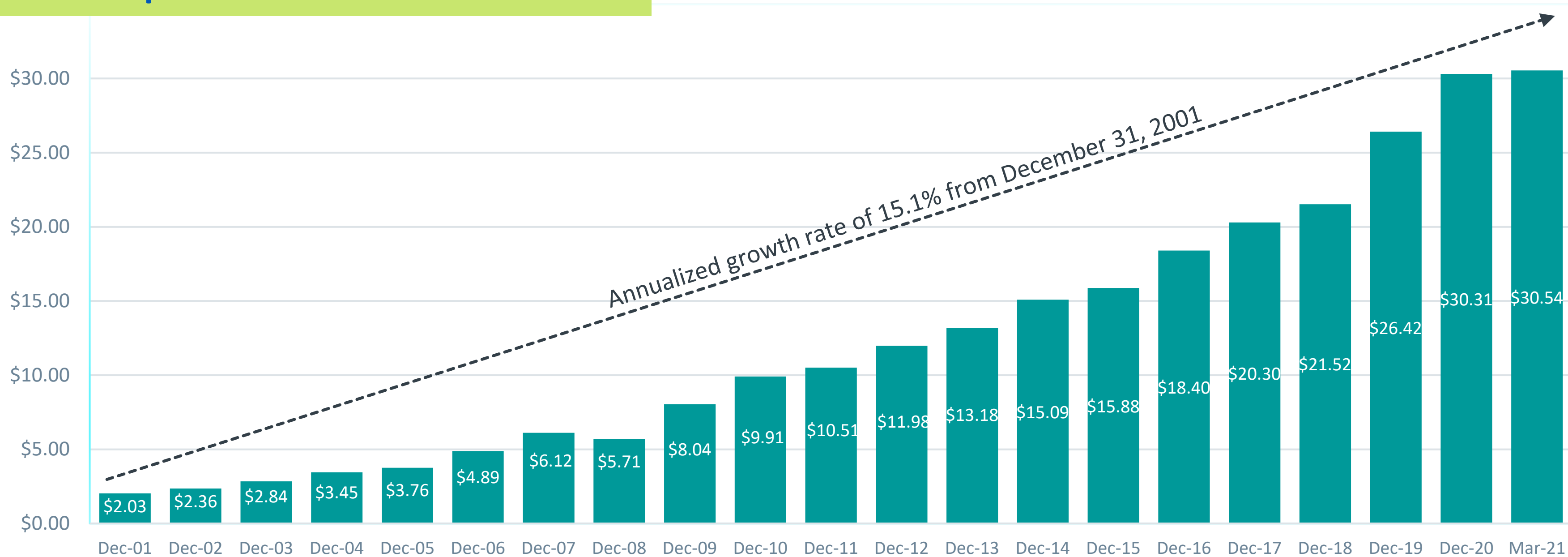
12/31/2002 – 12/31/2020




Excludes CNA (3.5%, 347%), Hartford (3.0%, 361%), MGIC (-3.7%, 576%) and Radian (-1.3%, 625%) as coefficient of variation exceeds 250%; **Source:** D&P Analysis

# Growth and Book Value

## Book value per common share[1]




| | Dec-01 | Dec-02 | Dec-03 | Dec-04 | Dec-05 | Dec-06 | Dec-07 | Dec-08 | Dec-09 | Dec-10 | Dec-11 | Dec-12 | Dec-13 | Dec-14 | Dec-15 | Dec-16 | Dec-17 | Dec-18 | Dec-19 | Dec-20 | Mar-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Capitalization[2] ($B):** | $1.0 | $1.4 | $1.9 | $2.5 | $2.8 | $3.9 | $4.3 | $3.8 | $4.7 | $4.9 | $5.0 | $5.6 | $6.5 | $7.0 | $7.1 | $10.5 | $11.3 | $11.2 | $13.2 | $15.8 | $15.8 |
| **Debt/Preferred to Total Capitalization[2]** | 0.0% | 0.0% | 10.5% | 11.8% | 10.8% | 16.1% | 14.4% | 18.9% | 15.3% | 14.9% | 14.5% | 13.0% | 18.7% | 17.3% | 17.2% | 28.7% | 26.4% | 22.5% | 19.0% | 22.1% | 22.1% |

[1] Excluding the effects of stock options and restricted stock units outstanding

[2] Available to Arch, including senior debt, preferred equity, common stock and AOCI.

## Investor Inquiries:


**Donald Watson**
Executive Vice President,
Financial Services
**(914) 872 3616**
DWatson@archcapservices.com

**Vinay Misquith**
Vice President,
Financial Services
**(914) 872 3666**
VMisquith@archcapservices.com