



What's different this time?

Dinos Iordanou

Chairman & CEO, Arch Capital Group, Ltd.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. This presentation 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 presentation are forward looking statements.

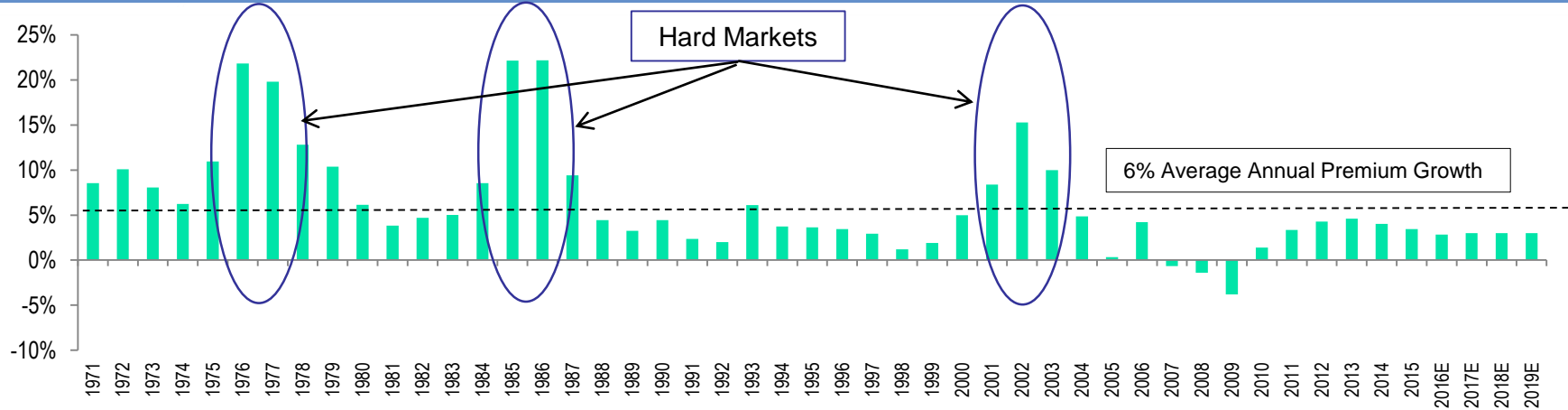
Forward looking statements can generally be identified by the use of forward looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or their negative or variations or similar terminology. Forward looking statements involve our current assessment 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 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 integrate the businesses we have 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; and other factors identified in our filings with the U.S. Securities and Exchange Commission.

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.

Some non-GAAP measures of financial performance also may be referred to during this presentation. 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 Arch Capital Group Ltd. (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.

Arch U.S. P&C Insurance Industry Premium Growth

U.S. P&C Industry Premium Growth



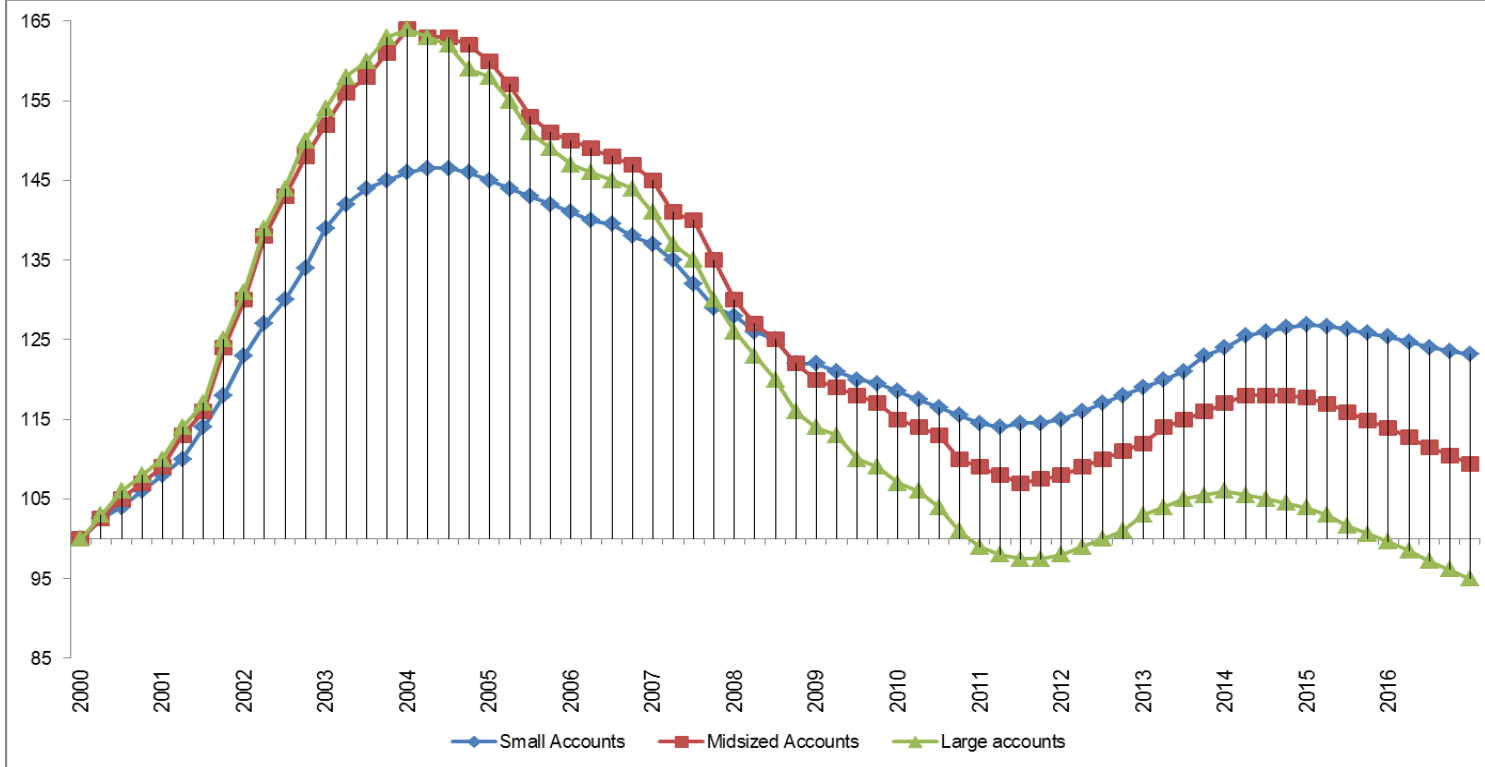
Period	Market Type	CAGR
1975 – 1978	Hard Market	18%
1979 – 1983	Soft Market	6%
1984 – 1987	Hard Market	18%
1988 – 1999	Soft Market	3%
2000 – 2003	Hard Market	11%
2004 – 2011	Soft Market	0%
2012 – 2015	Soft Market	4%
Average		6%

Source: ISO, A.M. Best, J.P. Morgan estimates.

Arch U.S. Commercial P&C Insurance Prices Are Declining

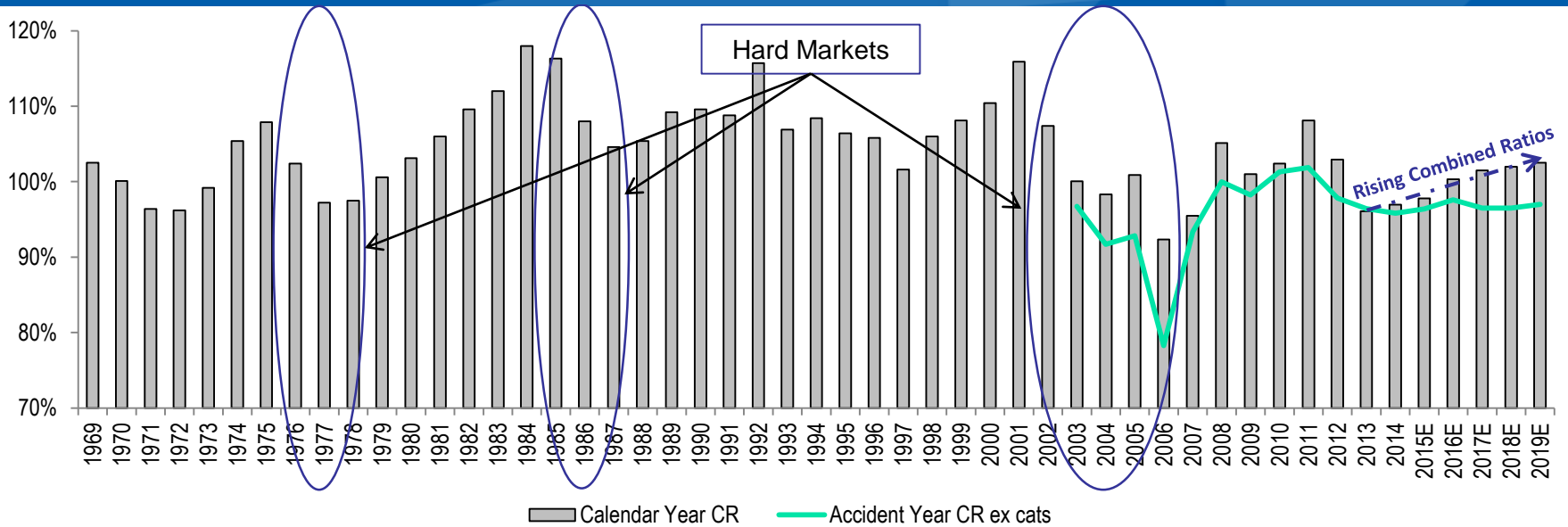
- U.S. P&C commercial insurance prices are falling low single digits driven by significant industry excess capital. However, at this level of decline the cycle is shallower than prior soft cycles driven in part by low investment returns.
- Large account business is the most competitive with prices below 2000 levels, while small account pricing has held up the best.

U.S. P&C Commercial Insurance Cumulative Quarterly Rates By Account Size



Source: Council of Insurance Agents & Brokers, J.P. Morgan research.

Arch U.S. P&C Insurance Industry Combined Ratio

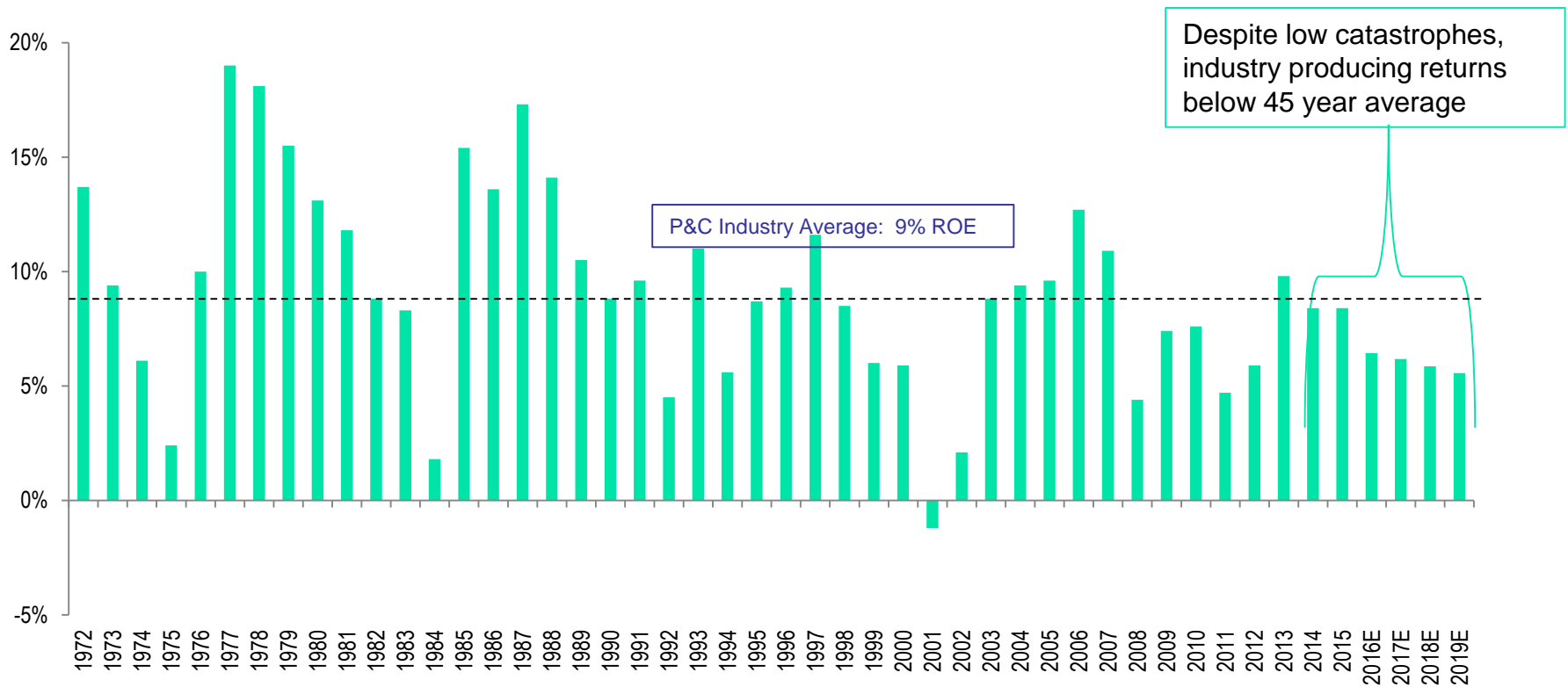


Period	Market Type	Average
1975 – 1978	Hard Market	101%
1979 – 1983	Soft Market	106%
1984 – 1987	Hard Market	112%
1988 – 1999	Soft Market	108%
2002 – 2006	Hard Market	100%
2007 – 2011	Soft Market	102%
2012 – 2014	Hard Market ?	99%
Total		105%

Source: ISO, A.M. Best, J.P. Morgan estimates.

Arch U.S. P&C Insurance Industry Net ROE

U.S. P&C Industry ROE

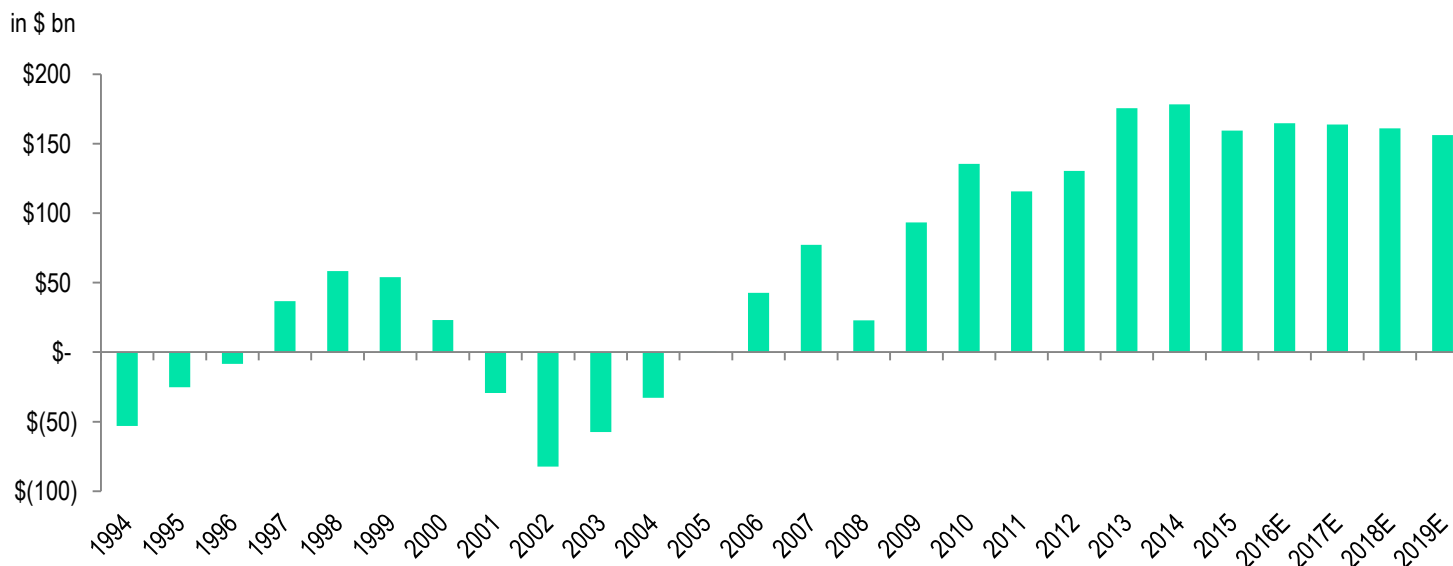


Note: 2008-2014 exclude mortgage and financial guaranty insurers
 Source: ISO, A.M. Best, J.P. Morgan estimates.

Arch U.S. P&C Insurance Industry Is Overcapitalized

- U.S. P&C insurance industry excess capital is near all-time highs.
- The industry is estimated to have about \$165bn of excess capital, which is equivalent to 3 Hurricane Katrinas.

U.S. P&C Insurance Industry Estimated Excess Capital



Source: ISO, J.P. Morgan estimates.

➤ First generation structures formed new companies that relied upon alternative investment strategies. Focus on shorter term, lower volatility reinsurance risk exposures combined with hedge fund investments.

Max Re, Greenlight Re, Thirdpoint Re

➤ Second generation structures marries alternative investment expertise with an existing (re)insurance underwriting franchise. Focus is on lower volatility risk with medium and longer term (re)insurance liabilities.

Watford Re, ABR Re (ACE/Blackrock), Harrington Re

Arch M&A Activity has been driven by various themes

There has been a noticeable pick-up in strategic M&A

Diversification efforts / alternative sources of growth

Increase scale / remain relevant

Sustained low interest rate environment challenging profitability

Inbound interest from foreign buyers (especially Asia but also Europe)

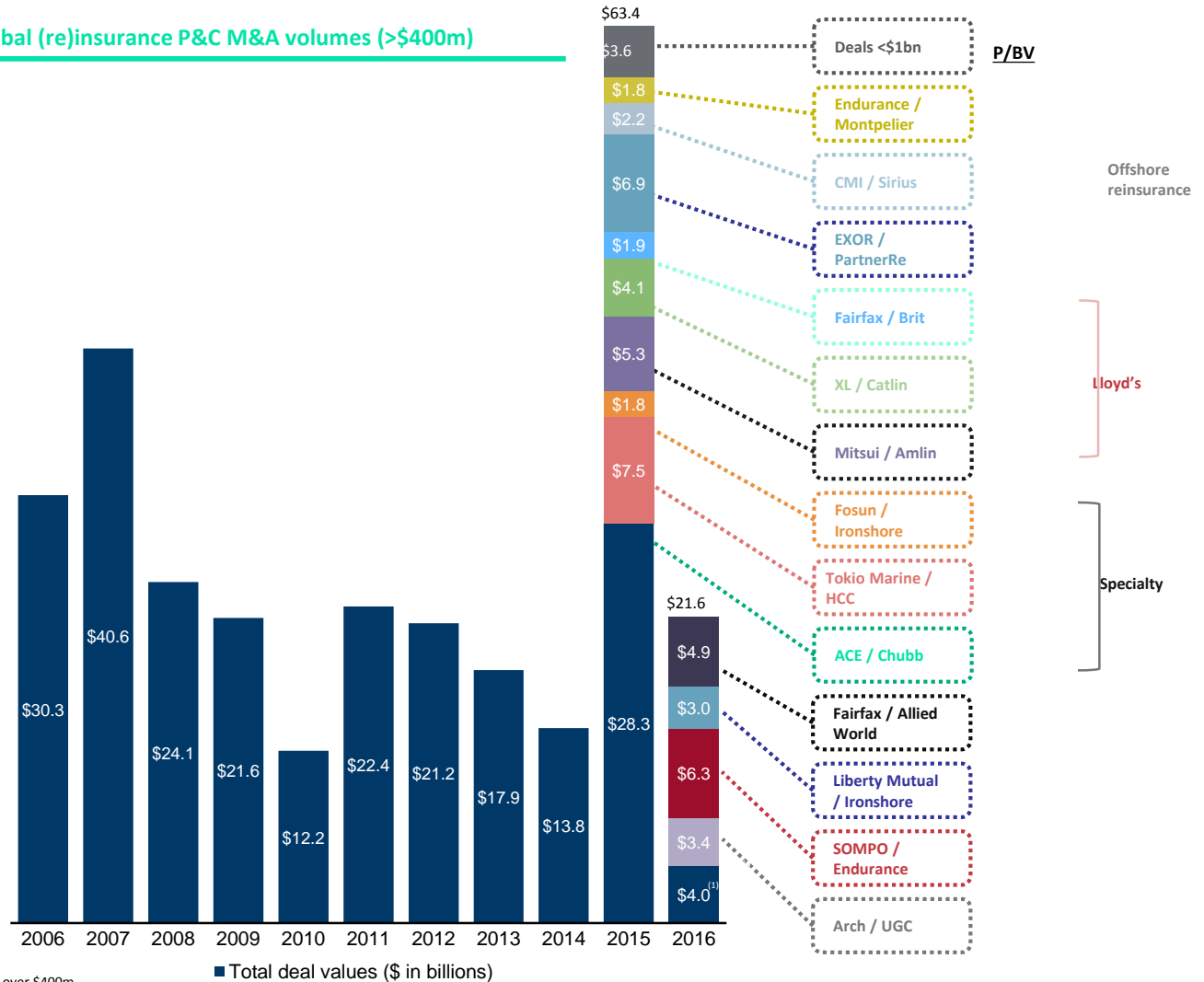
Activism

Deployment of excess capital

Regulatory driven – Solvency II / SIFI

Tax optimization strategies – less topical, but still a consideration

Global (re)insurance P&C M&A volumes (>\$400m)



Source: Prepared by Credit Suisse. Company Filings, SNL Financial, Bloomberg.

Note: Includes announced and closed transactions. Metrics only include deals over \$400m.

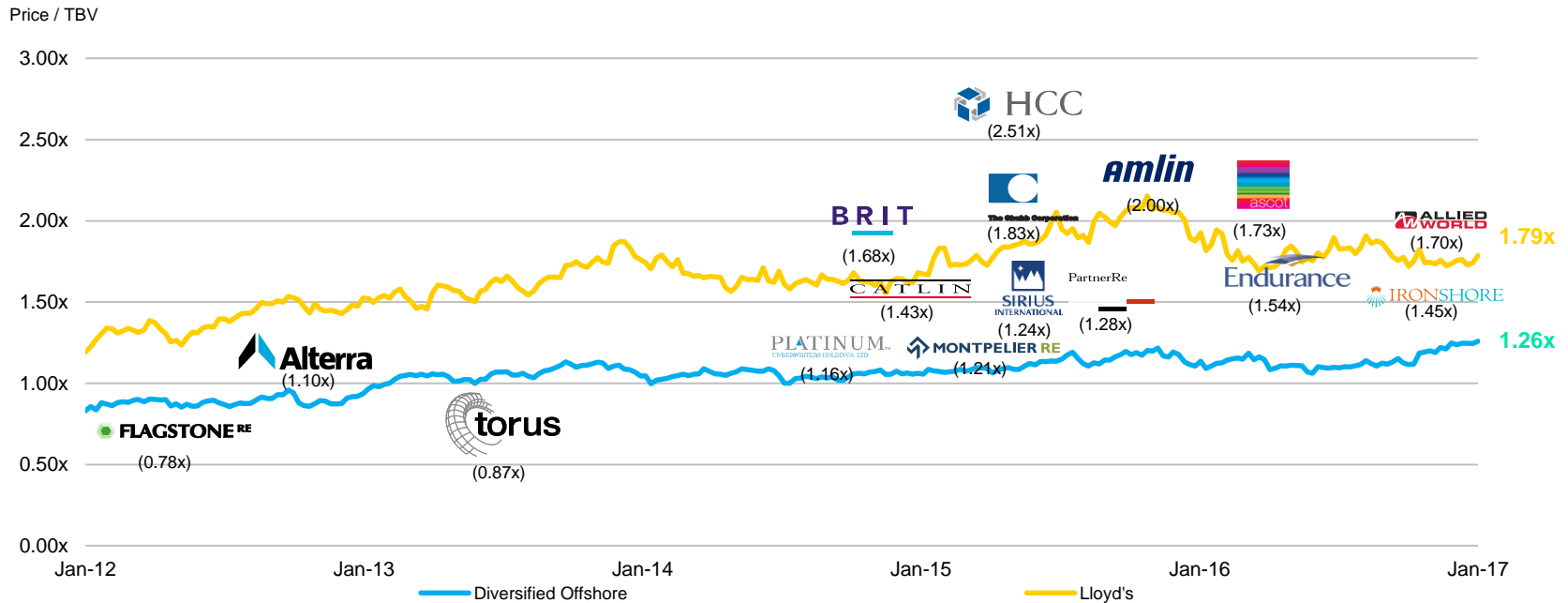
Excludes cancelled transactions and corporate restructurings. Includes minority sales. Excludes reinsurance transactions. Average P/BV represents average price to equity or price or to statutory book value where available.

(1) Based on Assured Guaranty's \$451 million acquisition of CFG Holding Ltd, Great American's \$640 million 49% stake in National Interstate, CCPIB's \$1.1 billion acquisition of Ascot and Allstate's \$1.4 billion acquisition of SquareTrade.

(2) Represents disclosed deal multiple of P / BV as of 2016 year end.

Arch The Evolution of M&A Behavior

M&A activity has morphed from opportunistic and distressed transactions to strategically-motivated transactions driven by desire for scale and diversification. Over the past several years, both trading and transaction multiples have migrated upwards.



M&A Dynamics

- Recovering from financial crisis (poor relative valuations).
- Resistance to do transactions that are dilutive to TBVPS.
- Opportunistic acquisitions (TransAtlantic Re and Alterra).
- Distressed sales (Flagstone, Torus).
- Market is highly supportive of strategic transactions.
- Scale viewed as the solution to address question of relevance and improve profitability.

Source: FactSet, SNL Financial. Prepared by Barclays. Market data as of 1/27/17.

- Diversified Offshore includes: AGL, AGII, AHL, AXS, RE, RNR, VR, and XL.
- Lloyd's includes: BEZ, HSX, and LRE.

Dinos Iordanou
Chairman & Chief Executive Officer
Arch Capital Group Ltd.
Waterloo House, Ground Floor
100 Pitts Bay Road
Pembroke HM 08 Bermuda
(441) 278-9250

Investor Inquiries:

Donald Watson
Executive Vice President,
Financial Services

DWatson@archcapservices.com

www.archcapgroup.com