



Investor Presentation

2018 Fourth Quarter

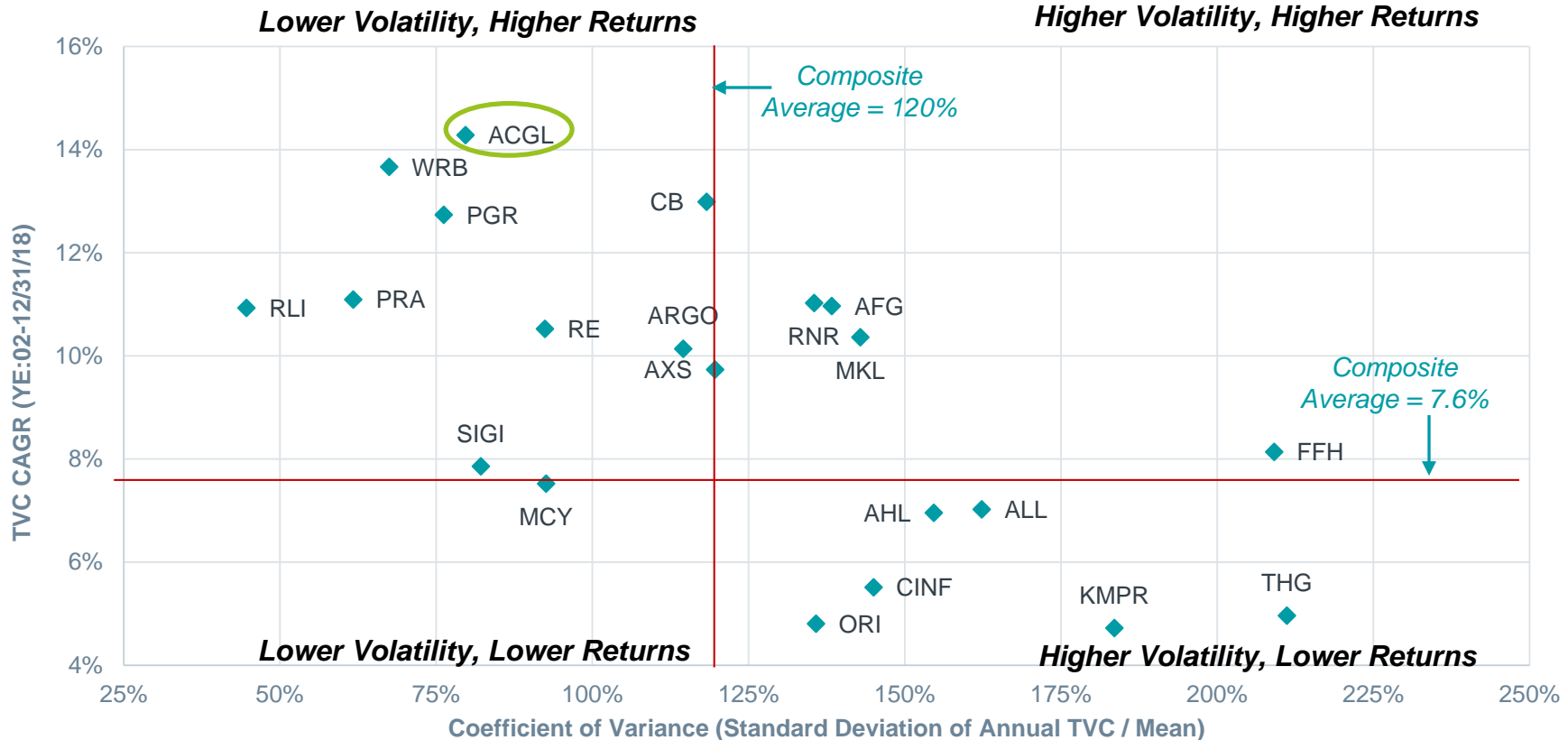
The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. This presentation or any other written or oral statements made by or on behalf of Arch Capital Group Ltd. and its subsidiaries may include forward looking statements, which reflect our current 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.

Total Value Creation vs. Coefficient of Variation - Total Composite (12/31/02 - 12/31/18)



Source: Dowling & Partners Analysis

Dowling's P&C Industry Composite of 25 Companies

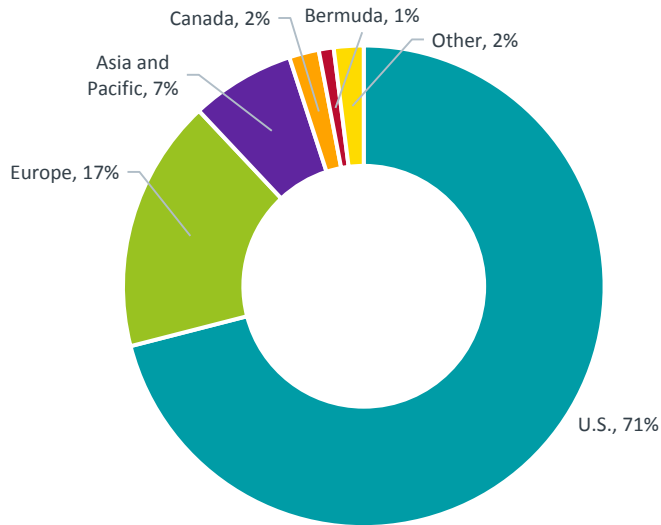
Excludes CNA (2.7%, 438%), Hartford (1.5%, 560%), MGIC (-5.7%, 713%), Radian (-3.4%, 901%) as coefficient of variation exceeds 250%

TVC is tangible book value per share growth plus accumulated dividends

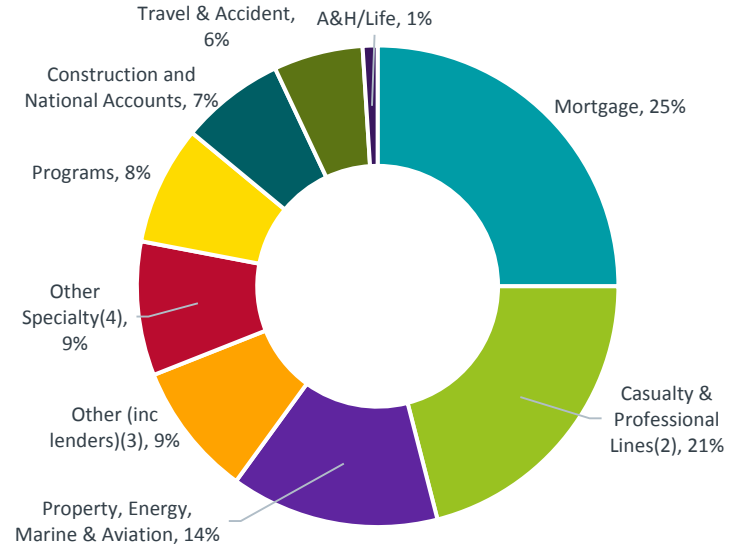
- Arch operates leading Specialty P&C and mortgage insurance businesses across a wide range of geographies and products providing meaningful diversification and earnings stability

FY2018
 Gross premiums written (\$6.5B) : 50% insurance, 29% reinsurance, 21% mortgage
 Net premiums written (\$4.7B) : 47% insurance, 29% reinsurance, 24% mortgage

Client Location¹



Line of Business¹



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

Strong Underwriting and Risk Management Culture

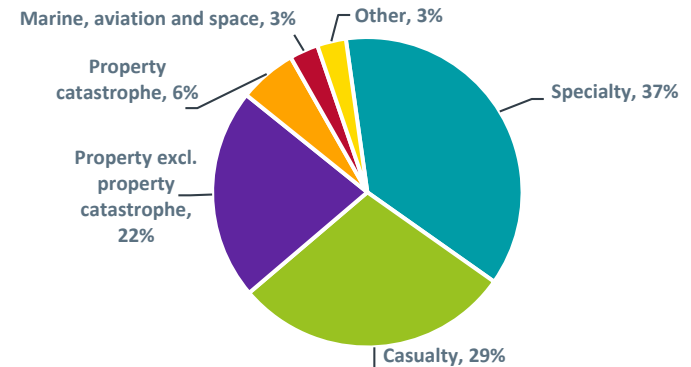
- Talent intensive platform creates resiliency through market cycle
- Manage the cycle by allocating capital to those lines with better expected returns
- Diversified by line of business and geography
- In primary insurance, focus on smaller risks and low limit business produces more predictable and less volatile results over time

Innovation and Opportunism

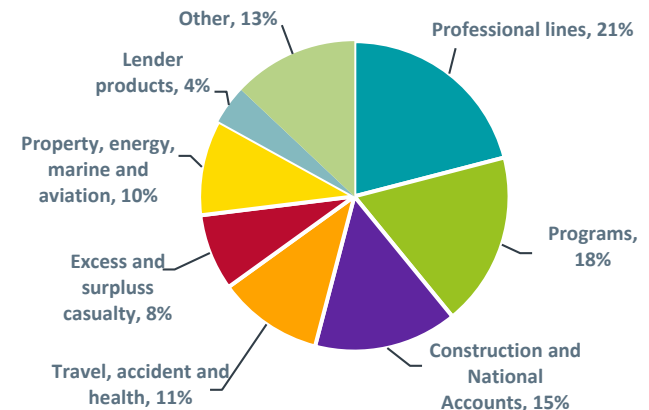
- Early adopter of and ILS (Bellemeade) to manage exposures
- Investor in next generation reinsurer, Watford Re and run-off company, Premia Re
- Third party capital manager

FY2018

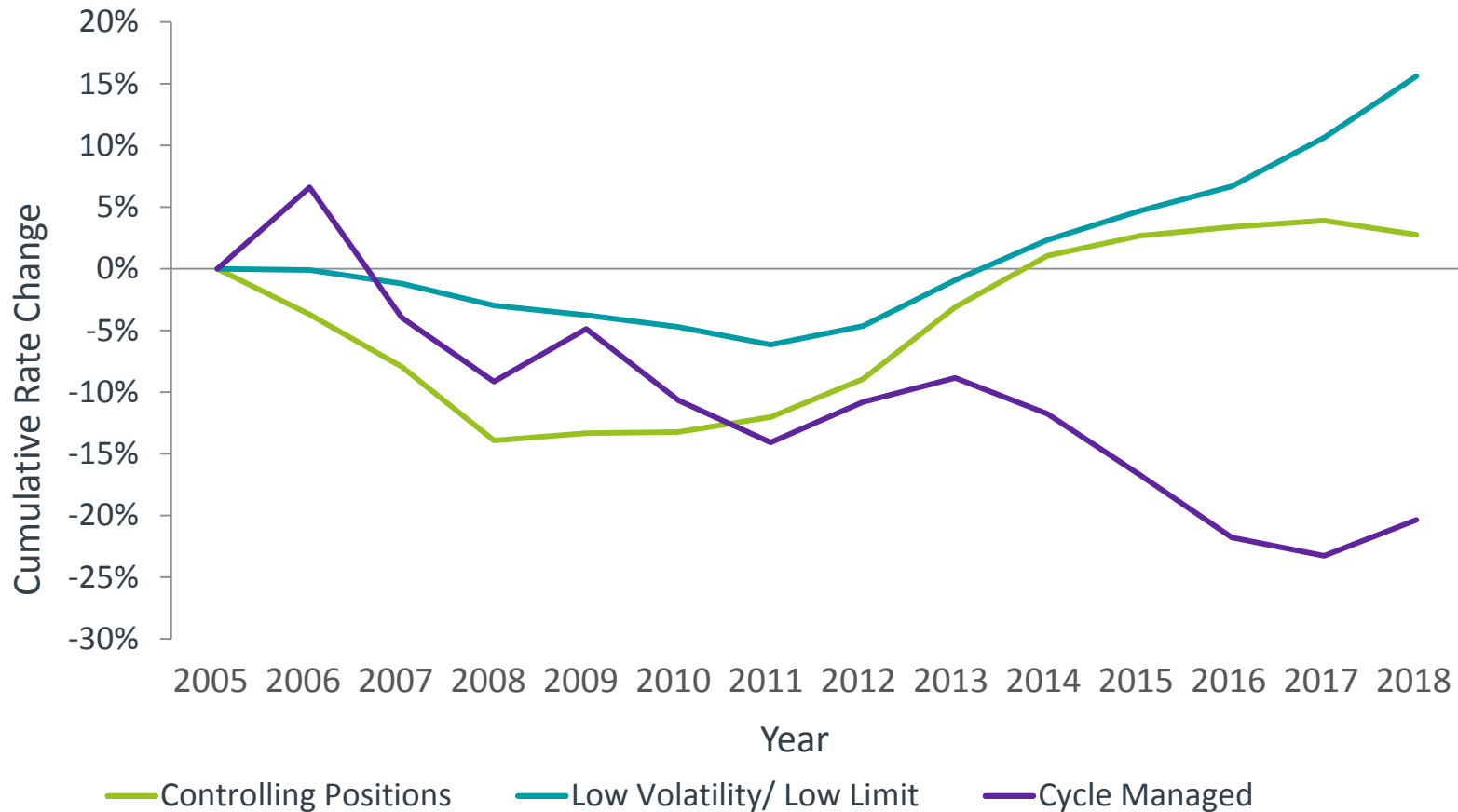
Reinsurance Net Premiums Written \$1.4Bn



Insurance New Premiums Written \$2.2Bn



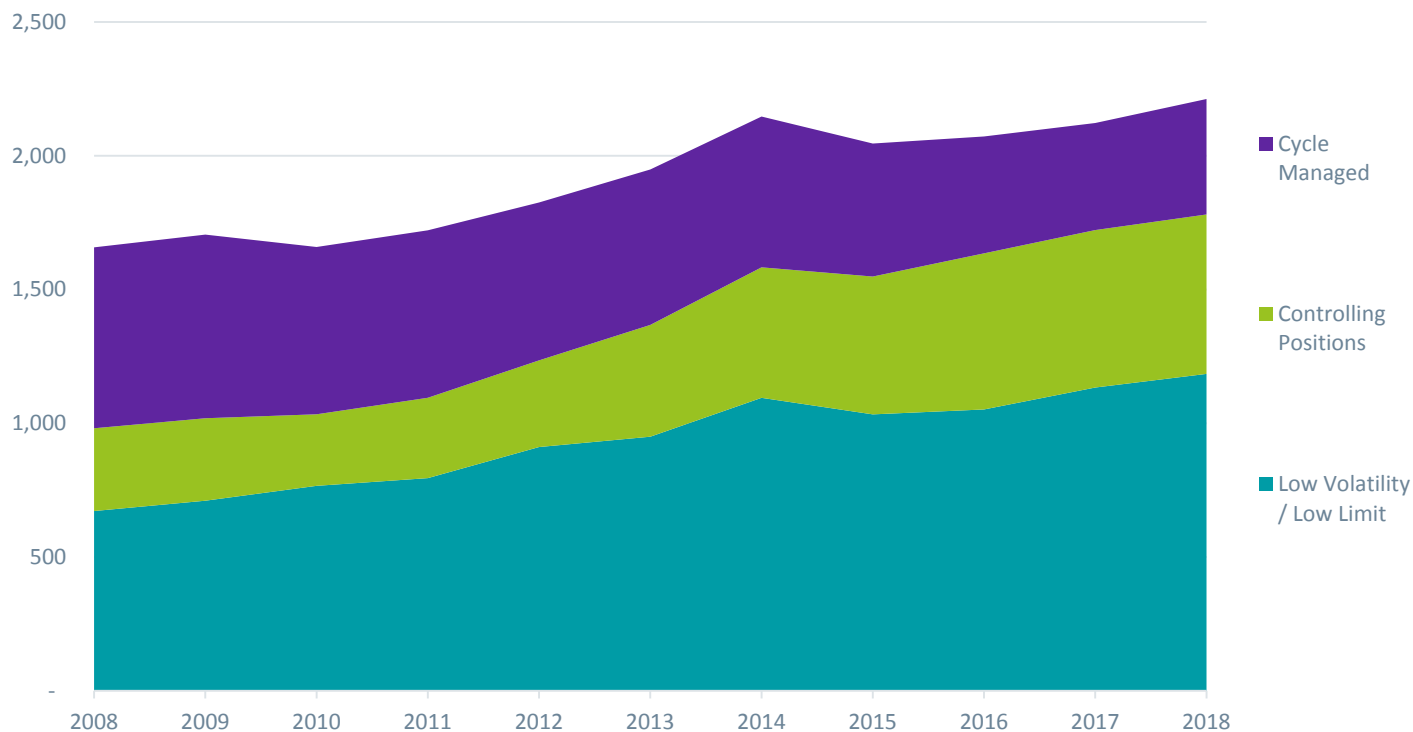
Cumulative Rate Change Trends – U.S.



Low Volatility include Programs, A&H, Travel, Contract Binding. **Controlling Positions** include Construction, Alt Markets, National Accts, Surety. **Cycle Managed** includes Property, Marine, Offshore, Casualty, High Capacity EA, Onshore Energy, Med Mal.

Insurance Segment

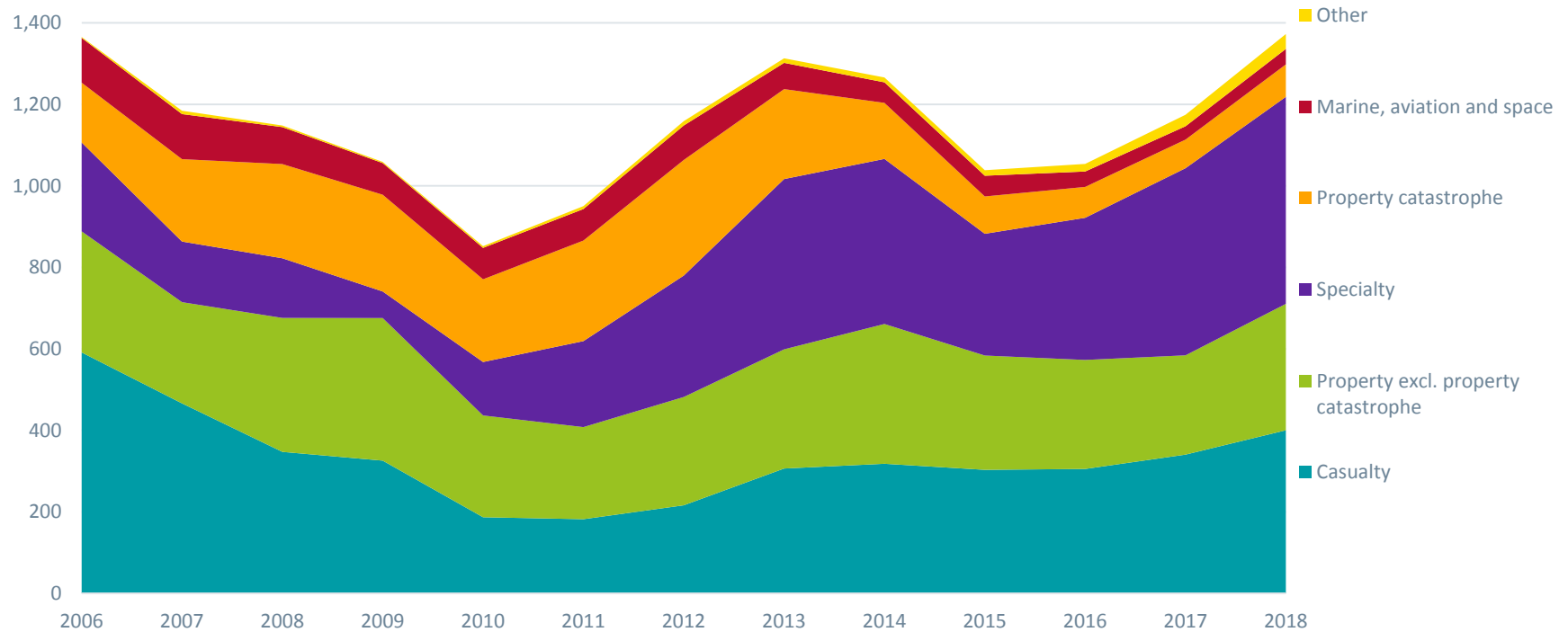
Calendar Year Net Premiums Written (\$M)



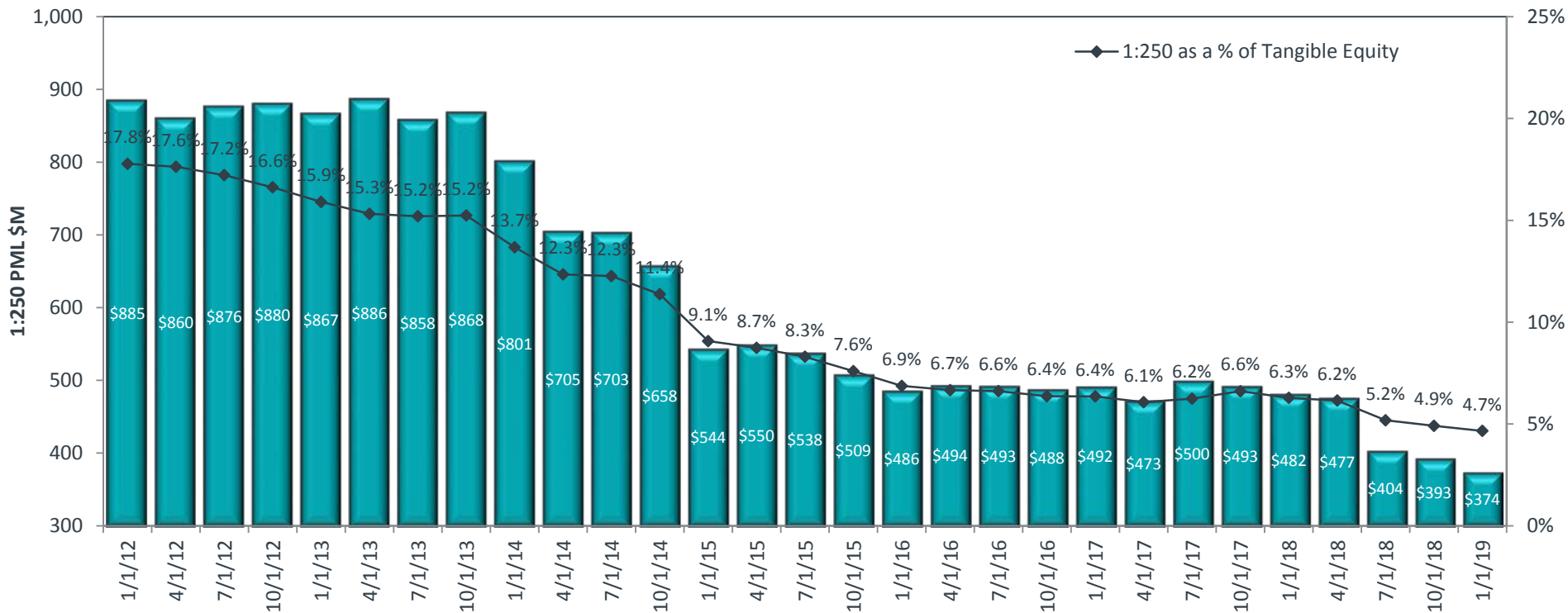
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Reinsurance Segment

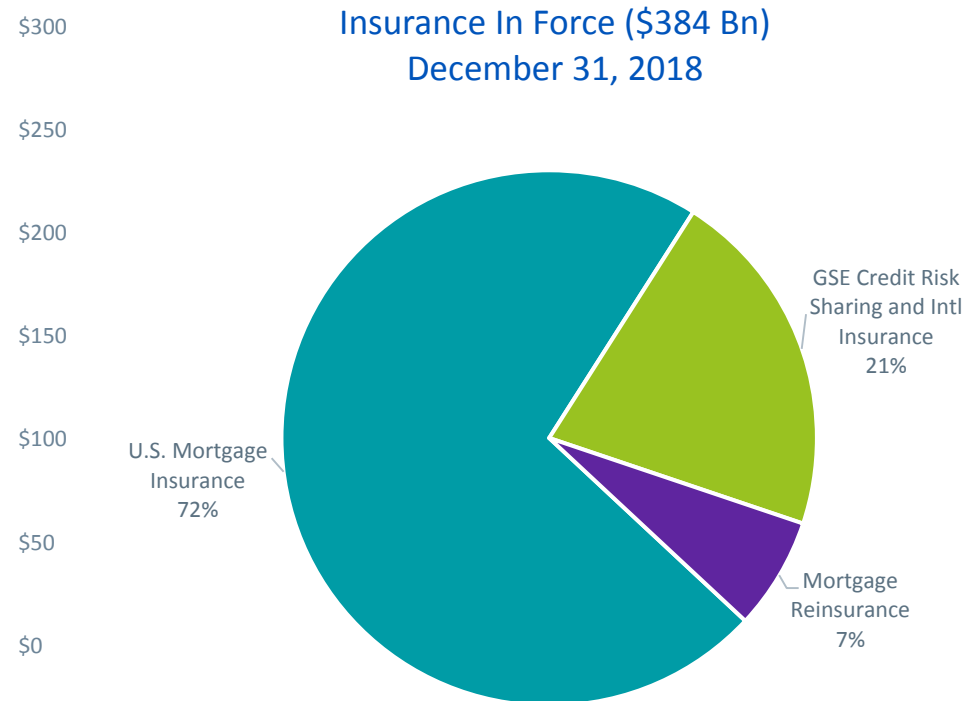
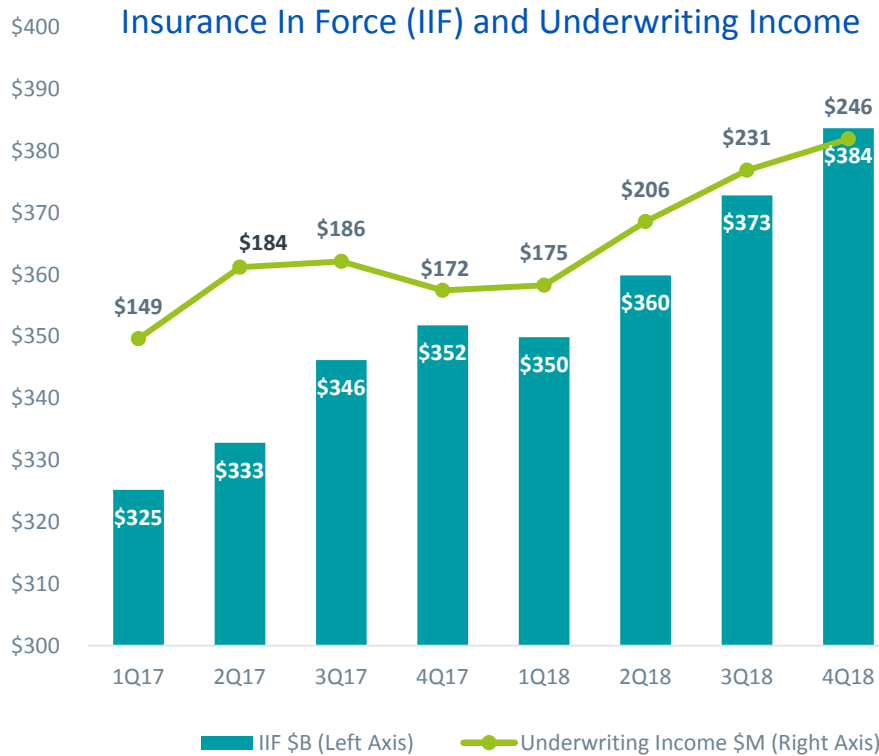
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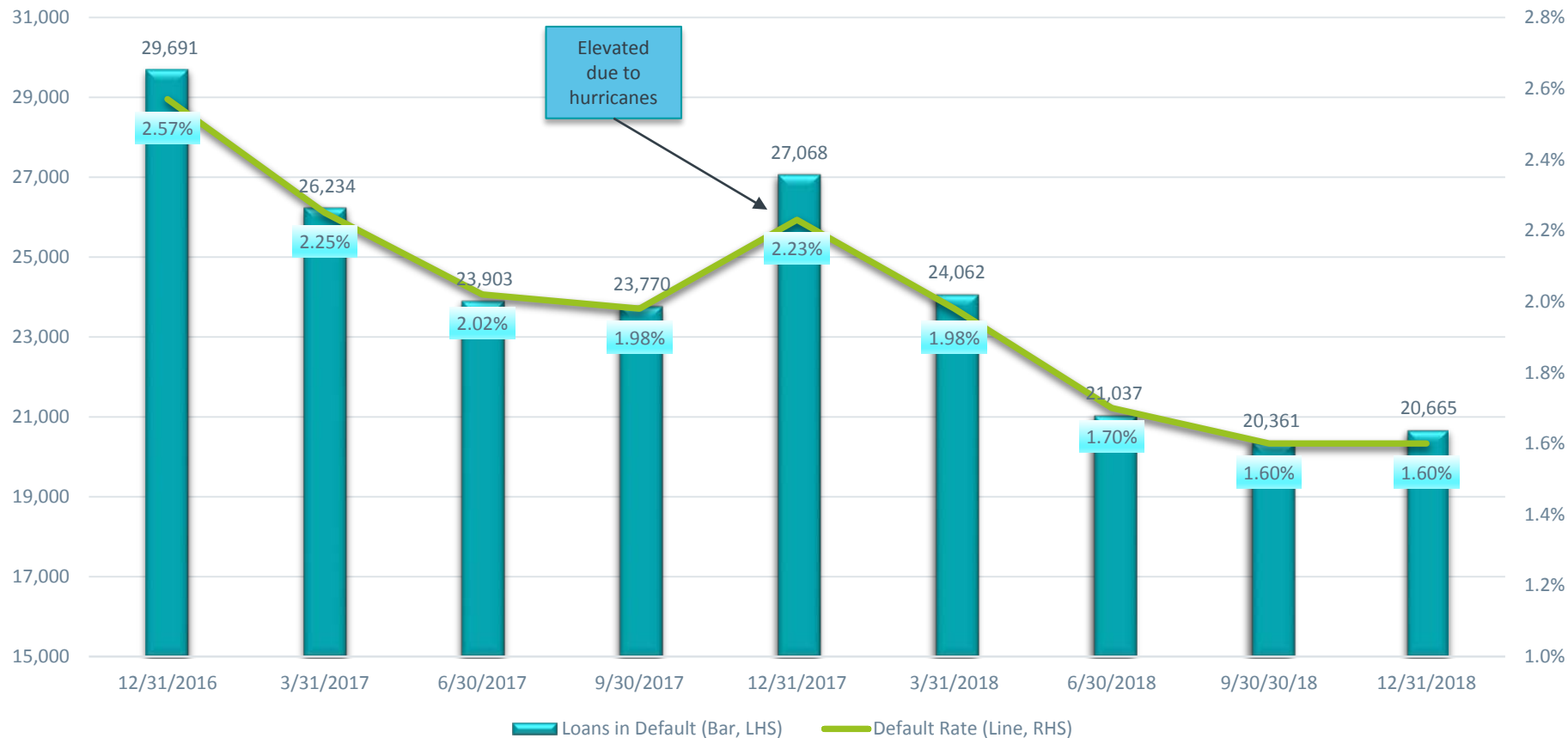
ACGL Peak Zone 1:250 PML



- Mortgage Insurance provides a recurring, multi-year revenue stream
- Arch is building a portfolio of diversified mortgage businesses

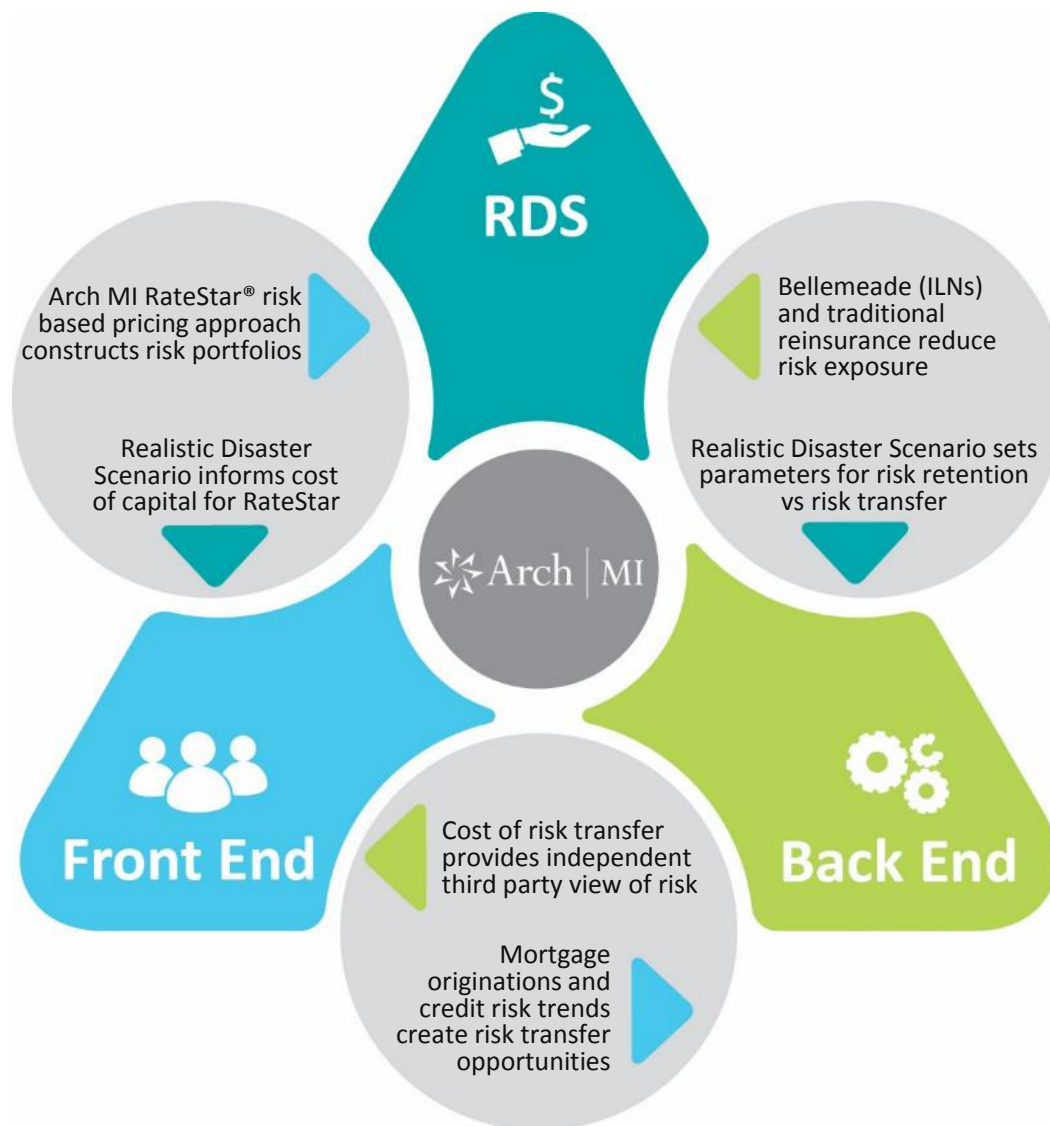


Loans in Default and Default Rate



Differentiated Business Model

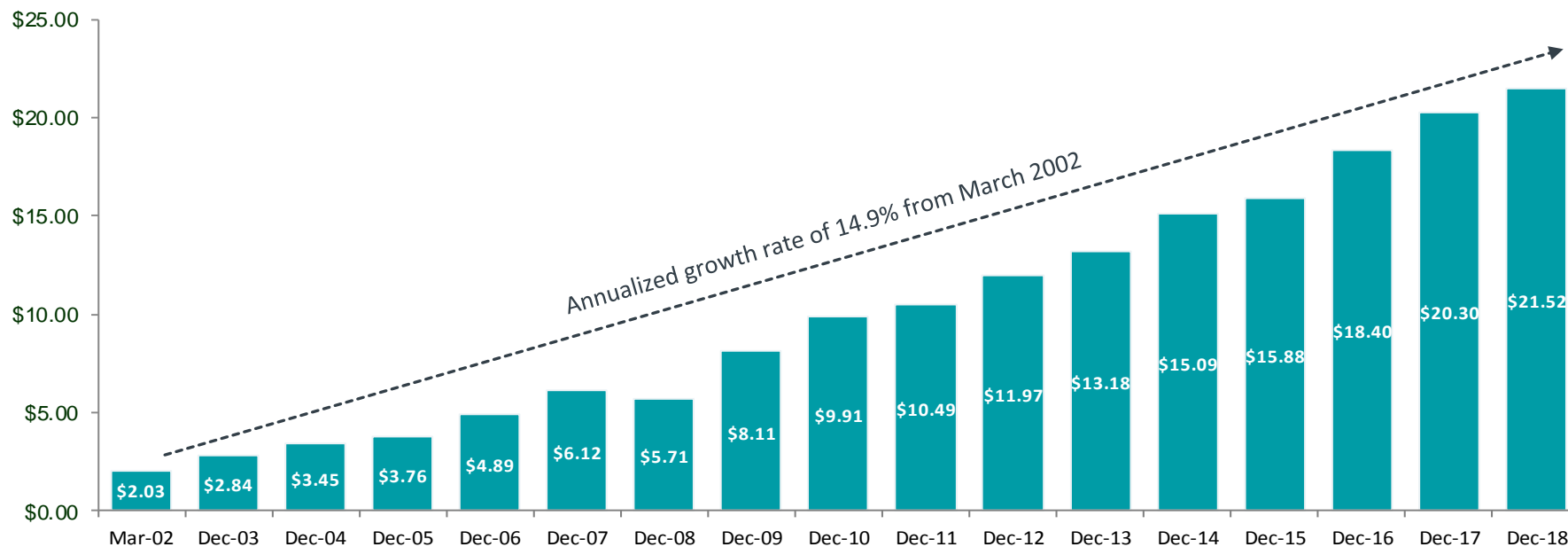
- Arch aggregates risk from diversified sources and then utilizes a variety of tools for managing mortgage and credit risk
- Arch seeks to limit risk exposure from a severe economic event (RDS) to protect capital
- Mortgage Segment is positioned for consistent attractive returns throughout the cycle



Cedants	<ul style="list-style-type: none"> United Guaranty Residential Insurance Co. and Arch Mortgage Insurance Co.
Reinsurer	<ul style="list-style-type: none"> Bellemeade Re 2018-3 Ltd. (Bellemeade Re), a special purpose reinsurer domiciled in Bermuda
Effective Date	<ul style="list-style-type: none"> August 1, 2018
Maturity	<ul style="list-style-type: none"> October 25, 2028 (optional call on October 25, 2023)
Coverage	<ul style="list-style-type: none"> Bellemeade Re will reinsure cedants' RIF on a pool of loans that was predominately originated between January 1, 2018 and June 30, 2018. Bellemeade Re is responsible for all losses exceeding 2.25% of RIF subject to an initial limit of \$506 million Reinsurance from Bellemeade Re will inure to the benefit of Arch Re Ltd
Allocation of Principal Repayments	<ul style="list-style-type: none"> If the default rate is less than 5% and Class A's subordination is at least 9.6%, Class A's coverage will be reduced by its pro rata share of principal repayments on covered loans, and the remaining principal repayments on covered loans will be allocated to the most senior class with coverage remaining If the default rate is greater than 5% or Class A's subordination is less than 9.6%, all principal repayments on covered loans will be allocated to Class A (i.e., no amortization of bonds)
Allocation of Losses	<ul style="list-style-type: none"> Covered losses are allocated sequentially to the most junior class with coverage remaining
Pricing	<ul style="list-style-type: none"> Initial: M-1A (A rating by Morningstar): 120 basis points (bps), M-1B (BBB): 185 bps, M-2 (BB-): 275 bps, B-1 (B+): 390 bps (duration weighted average: 231 bps assuming exercise of call)
Security	<ul style="list-style-type: none"> Bellemeade Re will maintain a trust account with funds equal to the coverage it provides to the cedants Eligible investments for trust are money market funds that invest directly in U.S. Treasuries and agencies

- **Upfront risk management through risk based pricing (Ratestar)**
 - Consists of 1.3M unique rates and adjustments across 17 risk dimensions
 - Reflects differences in economic conditions and can be updated in most states without need to re-file
 - Rate adjustments (i.e. surcharges) have the same level of granularity as base rates
- **Purchase reinsurance to mitigate stress losses and optimize capital**
 - Utilize Insurance Linked Securities (ILS) market through Bellemeade Re to mitigate stress losses and gain insight into capital market’s perception of Mortgage’s portfolio
 - Third party multi-line reinsurers
- **RDS approach facilitates understanding of Mortgage risk portfolio’s losses in a severe stress**
 - Manage risk similar to short tail property cat and longer tail casualty clash risks
 - Limits maximum exposure to 25% of tangible equity

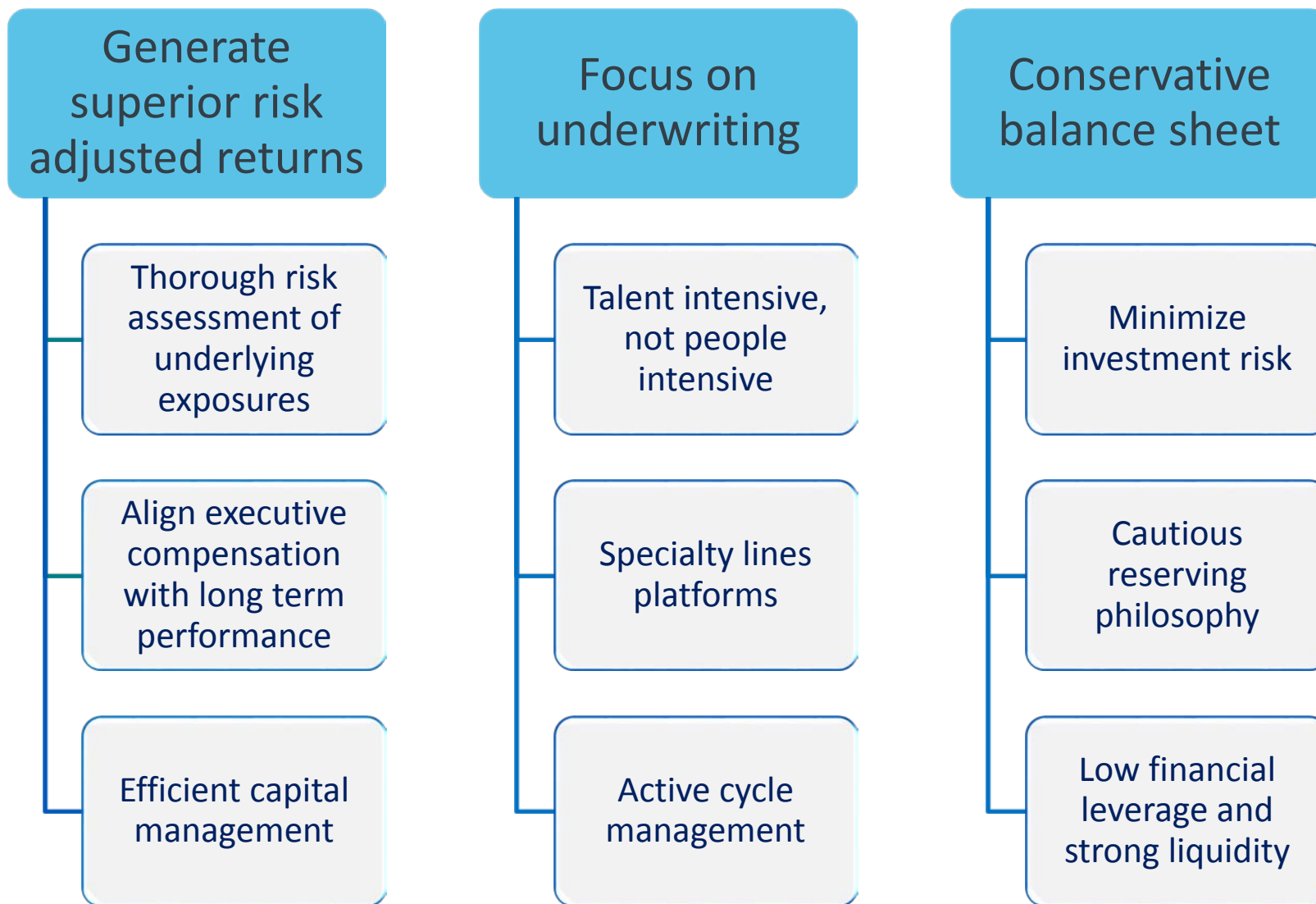
Book value per common share¹



Total Capitalization ² (\$Bn):	\$1.0	\$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
Debt/Preferred to Total Capitalization ²	0.0%	10.5%	11.8%	10.8%	7.7%	6.9%	10.4%	8.5%	8.2%	8.0%	7.2%	18.7%	17.3%	17.2%	28.7%	26.4%	22.5%

¹ Split adjusted as of September 30, 2018, excluding the effects of stock options and restricted stock units outstanding

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



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