

# Investor Presentation

## US Primary MI Delinquency Statistics

As of July 31, 2020

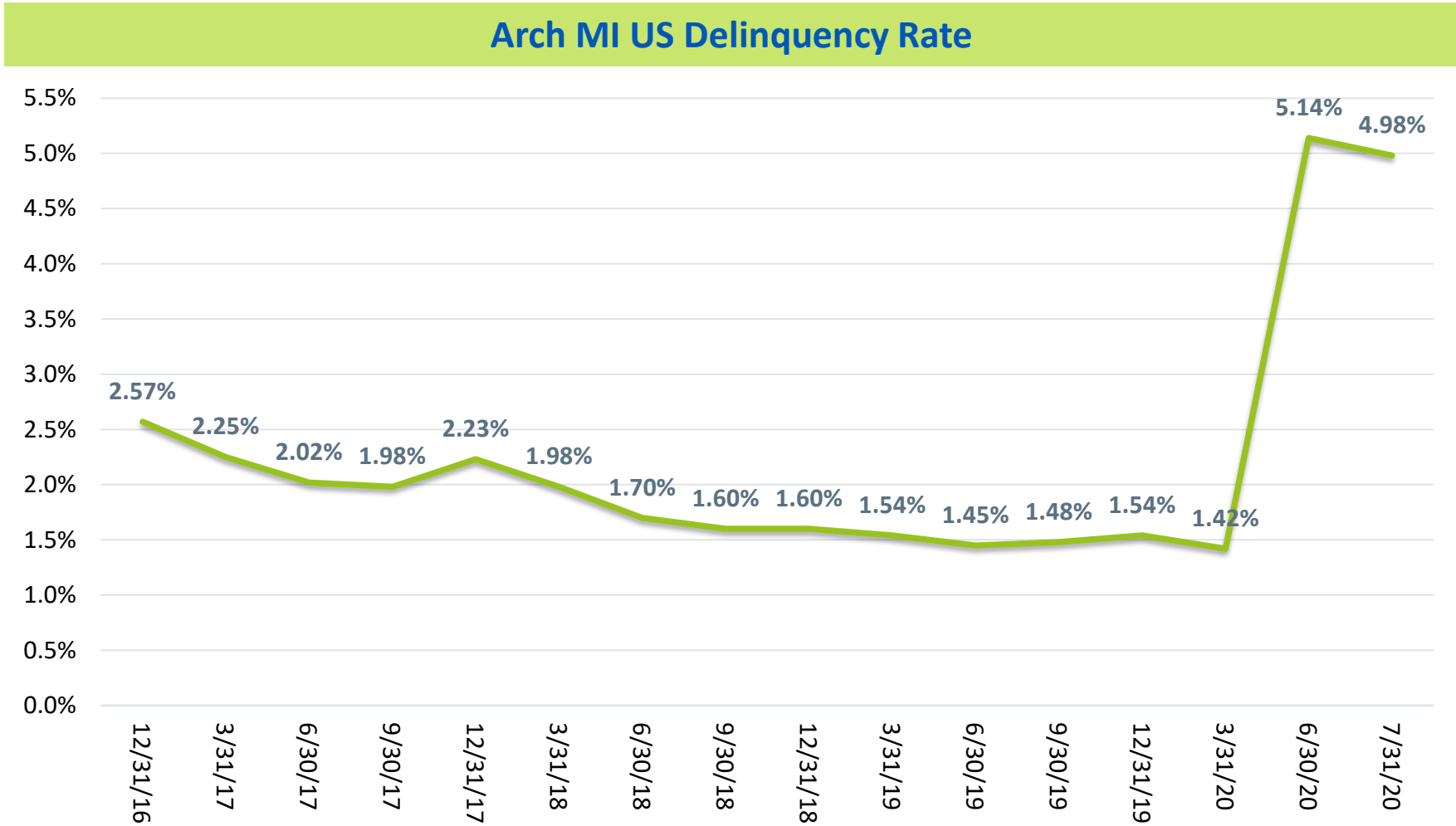


The Private Securities Litigation Reform Act of 1995 (“PSLRA”) provides a “safe harbor” for forward-looking statements. This release or any other written or oral statements made by or on behalf of Arch Capital Group Ltd. and its subsidiaries may include forward-looking statements, which reflect our current 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 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; 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](http://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.



As of 6/30/2020, PMIERS sufficiency ratio: 161% – Calculated as available assets divided by required assets as defined within PMIERS; \$1.35 billion of excess available assets.

# Arch MI US – Bellemeade Reinsurance Coverage by Deal

July 31, 2020 (\$ in millions)

	Bellemeade Re Insurance-Linked Notes Key Metrics <sup>(1)</sup>									
	2017-1	2018-1	2018-2	2018-3	2019-1	2019-2	2019-3	2019-4	2020-1 <sup>(8)(9)</sup>	
	1/17-6/17	7/17-12/17	4/13-12/15	1/18-6/18	2005-2008 <sup>(3)</sup>	7/18-12/18	2016	1/19-6/19	7/19-12/19	
Coverage dates for policies issued between <sup>(2)</sup>										
Initial Risk in Force	7,362	7,489	12,809	7,970	5,944	8,872	9,284	7,216	10,571	
Current Risk in force	3,756	4,540	6,681	4,361	3,695	4,773	6,248	4,998	9,845	
Initial coverage at issuance date	368	374	653	506	342	621	701	577	529	
Current coverage	146	250	243	303	219	398	528	469	529	
Arch's retention layer	166	169	352	179	208	222	232	162	793	
Claims paid under Arch's retention layer	4	2	4	2	12	1	1	-	-	
Delinquency % <sup>(4)(10)</sup>	6.10%	6.20%	3.75%	6.95%	9.24%	7.91%	5.23%	6.37%	2.48%	
Delinquency trigger % <sup>(5)</sup>	5.00%	5.00%	4.00%	5.00%	8.00%	5.00%	4.00%	5.00%	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%	
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%	
Current Attachment % <sup>(6)</sup> (cumulative losses as % of RIF)	4.41%	3.71%	5.27%	4.11%	5.63%	4.65%	3.71%	3.25%	8.05%	
Current Detachment % <sup>(7)</sup> (cumulative losses as % of RIF)	8.29%	9.22%	8.91%	11.05%	11.56%	12.99%	12.17%	12.63%	13.42%	

(1) Through July 31, 2020, notwithstanding the \$79M of reinsurance coverage provided directly by a panel of reinsurers mentioned below in Note (8), 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 primarily issued between 2005-2008 under United Guaranty Residential Insurance Company (“UGRIC”); as well as policies issued through 2015 under 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 restarts absorbing losses again.

(8) \$450 million was directly funded by Bellemeade Re 2020-1 Ltd. via insurance-linked notes, with an additional \$79 million capacity provided directly to Arch Mortgage Insurance Company and UGRIC by a separate panel of reinsurers. Total initial coverage at issuance date is \$529 million.

(9) The Bellemeade 2020-1 delinquency trigger is not driven by a static delinquency percentage, but occurs when the average sixty-plus delinquency amount from the prior three periods is equal to or exceeds 75% of all subordinate tranches.

(10) This information regarding delinquencies and cures is reported to Arch Mortgage Insurance Company and UGRIC (together “Arch MI”) 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.

\* Numbers may not foot due to rounding

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