



**Precision Marketing**

An Affiliate of Arch Capital Group Ltd.

## PMAP Insights | Q4 2022

### Great Opportunities Ahead for Us in 2023

The year has really kicked off well for our business and our team. I am delighted to share an update and insights with you.

In Japan, we are seeing a renewed interest from the market in direct distribution approaches and more intelligent utilisation of customer data to ensure the customer experience is appropriate to their needs.

In Indonesia, the market conditions are changing, and there is a strong focus, driven to some degree by recent regulatory change, to introduce more protection-based solutions to individual consumers. As a distribution solution provider with advanced capability in this space it has led to a very strong start to the year for us.

As an organisation, we are privileged to be an affiliate of Arch Capital Group Ltd. with its exceptionally strong balance sheet and a history of consistent financial performance that helps us take advantage of market opportunities as they emerge.

It is an exciting time for our business, and we are really grateful to our strong partners in Japan and Indonesia who are collaborating with us to drive growth and expand our footprint.

Warmest regards,

Keith Lowry  
Chief Executive Officer, PMAP Group



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# Arch Consolidated Corporate Overview – December 31, 2022

Arch Capital Group Ltd. (Nasdaq: ACG), a publicly listed Bermuda exempted and S&P 500 company, provides insurance, reinsurance and mortgage insurance on a worldwide basis through its wholly owned subsidiaries. Arch's financial strength — combined with a disciplined approach to underwriting and risk management — lets us provide the innovative solutions and support expected of a leader.

## TOTAL ASSETS

**\$48.0B**

## TOTAL GROSS PREMIUMS WRITTEN

**\$15.3B**

## TOTAL CAPITALIZATION

**\$15.6B**

## TOTAL NET RESERVES

**\$13.8B**

## FINANCIAL STRENGTH RATINGS

Standard & Poor's

**A+**

A.M. Best Company

**A+**

Fitch

**AA-**

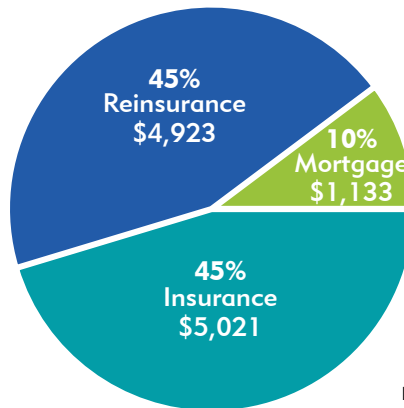
Moody's

**A2**

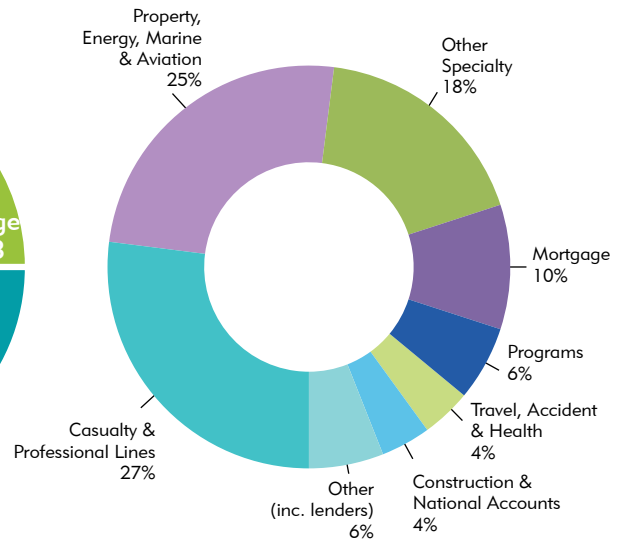
Ratings for Arch Reinsurance Ltd. as of Dec. 31, 2022.

## Total Net Premiums Written (\$M)

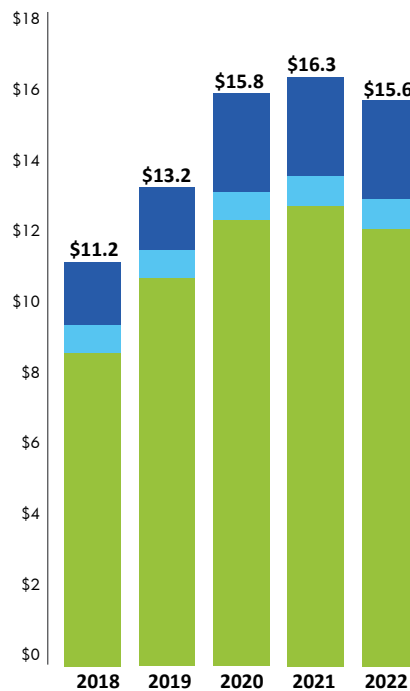
**\$11,077**



## Net Premiums Written by Product Lines

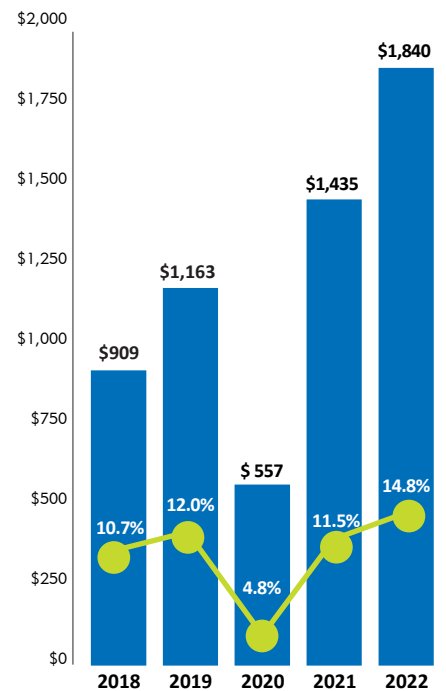


## Total Capitalization (\$B)



Common Shareholder Equity  
Preferred Shareholder Equity  
Debt

## Operating Income<sup>1,2</sup> (\$M)



Operating Income  
Return on Average Equity

(1) Excludes the results of Somers Group Holdings Ltd. (formerly Watford Holdings Ltd.).

(2) Presentation represents a "non-GAAP" financial measure as defined in Regulation G.



# DATA INSIGHTS FROM THE PMAP Campaign Factory

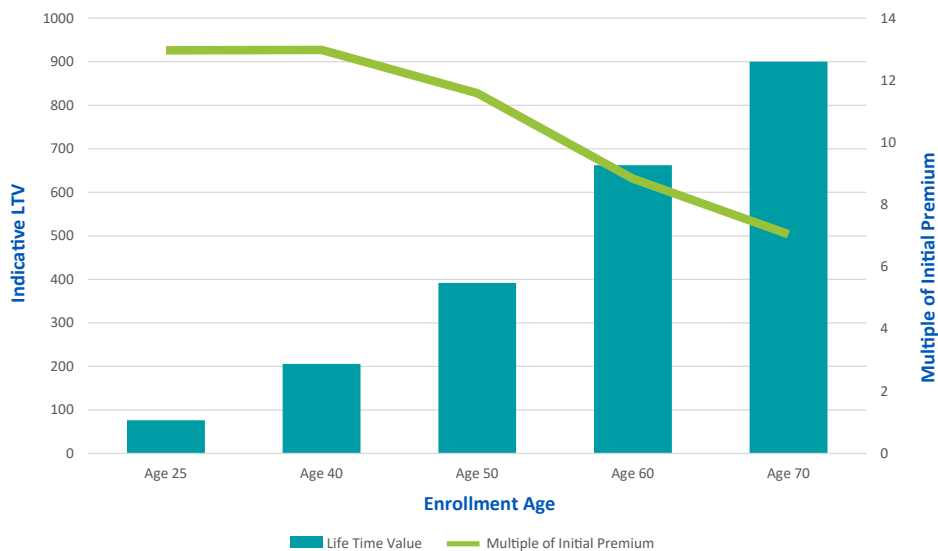


## Maximize Lead Utilization Using Lifetime Value

In typical data-driven direct marketing campaigns, marketers select leads based on statistical analysis and propensity score. However, to precisely justify the campaign profitability, the expected return from each lead should be a primary consideration.

For insurance, the premium tends to be lower for younger insured and higher for older insured. However, due to maximum age coverage, the length of collection period is longer for younger insured and shorter for older insured.

As such, using the initial premium value alone to calculate the expected return may not generate the fairest judgement.



The line in the chart above indicates the lifetime value (LTV) as the multiple of the initial premium value. This demonstrates the LTV of someone enrolled at age 40 is 13 times the initial premium value, while the LTV of someone enrolled at age 70 is only seven times the initial premium value.

If marketers only determine lead selection based on the initial premium, many potential young leads would be excluded. As a result, the total lead volume could not be fully utilized, and the potential value of the entire volume would be diminished.

However, in Precision Marketing, we adopt LTV to unveil the true value of each lead in calculating the expected value to justify lead selection.

This maximizes the utilization of lead volume, optimizes the marketing return from the marketing campaign and creates additional value for our business partners and insurance partners.



## News from the Markets — Indonesia

### New Launches for a New Year

In January, we launched two new campaigns with one of our general insurance partners and their long-term strategic auto financing partner.

Precision Marketing received board approval for both renewal and upgrade marketing on 18 December and worked through the end of year period to design and develop both campaigns to launch on 16 January 2023.

The initial performance indicators are on plan, and we are excited to continue extending this insurance marketing capability to our partners in Indonesia.

Also, in December we concluded the planning and design for a new life insurance partnership to launch in March 2023. We will commence with 50 dedicated sales agents and integrate our contact center capacity, BI portal as well as payment solutions for new customer acquisition marketing.

These are small examples of our ongoing growth, capability and speed to market solutions in Indonesia, and our commitment to helping our partners grow meaningful new business and address the needs of convenience for Indonesian consumers.

### Investing in Our People and Our Purpose

After a busy end to 2022, Precision Marketing took the opportunity to take key staff for a short off-site team building event in January 2023.

The team headed to Bogor, West Java, and this provided a great opportunity to reflect on the past year's performance as well as the upcoming year's growth plan and new partnership targets.

In February 2023 we also welcomed back an old member of staff to assist in our expanded BI and Operational focus for 2023. Pak Dony has for the past three years been working with an e-commerce solutions provider on analytics, data management and process engineering. We are excited to welcome him back to the team and for our clients to get the benefit of his experience and applied knowledge in data-driven outcomes.





## News from the Markets — Japan

### Project Launch of Group Insurance Program at a Non-Life Insurance Company

In February 2023, we officially agreed with one of our business partners, a non-life insurance company, to implement a nationwide program to promote group insurance to customers in financial institutions. We have been working with our partner since last year in preparation for the launch of this project.

The program is scheduled to be implemented in the second half of 2023 and is planned to be developed for multi-channel distribution.

### Food Donation

We would like to take this opportunity to introduce one of our CSR activities.

At the end of last year, we donated emergency food to a non-profit organization that is the only nationwide food bank in Japan. The emergency food had been stockpiled at our office in preparation for disasters, but instead of simply discarding the food that was approaching its expiration dates, we decided to donate it as a small social contribution.

The organization provides an alternative to destroying food that is still safe for consumption. It delivers donated food to welfare agencies, orphanages and individuals in need. We were so impressed with the purpose and aim of their activities that we decided to make this donation.

We will continue to be committed to fulfilling our responsibilities as a leading company, regardless of our food donation activities, by seeking out what we can do to help those in need and contribute to society.





## Meet the Executive Team Spotlight on Koichi Makino

Koichi joined MPM Japan Ltd. in February 2022 as Director of Marketing & Business Development of the Client Management Team.

He is a chief marketing officer who has been specializing in direct marketing for more than 20 years in the insurance industry. He has extensive know-how of life, non-life, small amount and short-term insurance. He prides himself on building business models based on his experience and customer-oriented approach.

He continues to generate long-term innovation by proposing marketing solutions from a customer-oriented perspective obtained through actively engaging with a diverse range of experience and value, and by increasing the added value of insurance products as intangible assets.



## Meet the Board

The PMAP Board of Directors has been significantly enhanced under Arch ownership.

**Peter Maher**, *Chairman*.  
Head of Macquarie Bank's Banking and Financial Services Group for 13 years.

**Maamoun Rajeh**, *Director*.  
Chairman and CEO of Arch Worldwide Reinsurance Group.

**Thomas Keel**, *Director*.  
Vice President, Life Insurance Asia, Arch Underwriters Europe Limited.

**Raul Maldonado**, *Director*.  
Chief Underwriting Officer, Life & Health, Arch Reinsurance Ltd.

**Keith Lowry**, *Managing Director*.  
CEO, PMAP Group.

**Nicola Henderson**, *Company Secretary*.  
General Counsel, PMAP Group.



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## Non-GAAP Financial Measure

Operating Income refers to “after-tax operating income or loss available to Arch common shareholders,” which is defined as net income available to Arch common shareholders, excluding net realized gains or losses (which includes changes in the allowance for credit losses on financial assets and net impairment losses recognized in earnings), equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses, transaction costs and other, loss on redemption of preferred shares, and net of income taxes.

The Company believes that showing net income available to Arch common shareholders exclusive of the items referred to above reflects the underlying fundamentals of the Company’s business since the Company evaluates the performance of and manages its business to produce an underwriting profit. In addition to presenting net income available to Arch common shareholders, the Company believes that this presentation enables investors and other users of the Company’s financial information to analyze the Company’s performance in a manner similar to how the Company’s management analyzes performance. The Company also believes that this measure follows industry practice and, therefore, allows the users of the Company’s financial information to compare the Company’s performance with its industry peer group. The Company believes that the equity analysts and certain rating agencies that follow the Company and the insurance industry as a whole generally exclude these items from their analyses for the same reasons.

The presentation of after-tax operating income available to Arch common shareholders and annualized operating return on average common equity are non-GAAP financial measures as defined in Regulation G. The reconciliation of such measures to net income available to Arch common shareholders and annualized net income return on average common equity (the most directly comparable GAAP financial measures) in accordance with Regulation G is included below:

In 000's except shares	December 31,				
	2018	2019	2020	2021	2022
Net income available to Arch common shareholders	\$ 713,616	\$ 1,594,707	\$ 1,363,909	\$ 2,093,405	\$ 1,436,197
Net realized (gains) losses	300,584	(349,848)	(814,808)	(307,466)	662,734
Equity in net (income) loss of investment funds accounted for using the equity method	(45,641)	(123,672)	(146,693)	(366,402)	(115,856)
Net foreign exchange (gains) losses	(59,890)	10,732	80,591	(42,743)	(100,988)
Transaction costs and other	12,377	14,444	9,964	1,199	1,092
Loss on redemption of preferred shares	2,710	-	-	15,101	-
Income tax expense (benefit)	(14,566)	16,276	64,145	41,836	(42,791)
After-tax operating income available to Arch common shareholders	909,190	1,162,639	557,108	1,434,930	1,840,389
Beginning common shareholders' equity	8,324,047	8,659,827	10,717,371	12,325,886	12,715,896
Ending common shareholders' equity	8,659,827	10,717,371	12,325,886	12,715,896	12,080,073
Average common shareholders' equity	8,491,937	9,688,599	11,521,629	12,520,891	12,397,985
Annualized return on average common equity	8.4%	16.5%	11.8%	16.7%	11.6%
Annualized operating return on average common equity	10.7%	12.0%	4.8%	11.5%	14.8%

This information is qualified in its entirety by reference to reports filed by Arch Capital Group Ltd. (“Arch Capital”) with the SEC, including, without limitation, the risks and other factors set forth therein, and the ratings reports issued by ratings agencies from time to time. Please note that any opinions, estimates or forecasts regarding the performance of Arch Capital and its subsidiaries made by the ratings agencies are their estimates alone and do not represent opinions, forecasts or predictions of, and have not been adopted by, Arch Capital or its subsidiaries. Arch Capital and its subsidiaries undertake no obligation to publicly update or revise any information contained herein. From time to time, Arch Capital posts additional financial information and presentations to its website, [archgroup.com](http://archgroup.com), including information with respect to its subsidiaries, and investors and other recipients of this information are encouraged to check the website regularly for additional information regarding Arch Capital.