

ARCH REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except share data)

	(Unaudited)	
	December 31,	December 31,
	2009	2008
Assets		
Investments:		
Fixed maturities available for sale, at market value (amortized cost: 2009, \$9,220,349; 2008, \$8,308,558)...	\$9,384,743	\$8,115,767
Short-term investments available for sale, at market value (amortized cost: 2009, \$548,847; 2008, \$468,875).....	549,867	470,373
Investment of funds received under securities lending agreements, at market value (amortized cost: 2009, \$96,590; 2008, \$493,902).....	91,160	473,766
TALF investments, at market value.....	250,265	—
Other investments (cost: 2009, \$162,505; 2008, \$125,858)	172,172	109,601
Investment funds accounted for using the equity method.....	391,869	301,027
Total investments	10,840,076	9,470,534
Cash.....	316,421	230,856
Accrued investment income	70,605	77,988
Investment in joint venture (cost: 2009 and 2008, \$100,000).....	102,855	98,341
Fixed maturities and short-term investments pledged under securities lending agreements, at market value...	212,820	728,065
Securities purchased under agreements to resell using funds received under securities lending agreements ..	115,839	256,428
Premiums receivable	618,257	660,575
Unpaid losses and loss adjustment expenses recoverable.....	1,783,260	1,860,674
Paid losses and loss adjustment expenses recoverable	61,355	63,883
Prepaid reinsurance premiums.....	287,135	320,501
Deferred acquisition costs, net.....	280,372	295,192
Receivable for securities sold.....	187,171	105,072
Other assets	432,268	398,444
Total Assets	\$15,308,434	\$14,566,553
Liabilities		
Reserve for losses and loss adjustment expenses.....	\$7,997,172	\$7,798,496
Unearned premiums.....	1,442,481	1,543,476
Reinsurance balances payable	164,922	153,082
TALF borrowings, at market value.....	217,565	—
Securities lending payable	219,116	753,528
Payable for securities purchased.....	136,381	123,309
Other liabilities	459,093	399,233
Total Liabilities	10,636,730	10,771,124
Commitments and Contingencies		
Shareholder's Equity		
Common shares (\$1.00 par value, 2,625,000 shares authorized, issued: 2009 and 2008, 2,560,423).....	2,560	2,560
Additional paid-in capital	2,225,752	2,203,440
Retained earnings	2,304,966	1,845,420
Accumulated other comprehensive income (loss), net of deferred income tax.....	138,426	(255,991)
Total Shareholder's Equity	4,671,704	3,795,429
Total Liabilities and Shareholder's Equity	\$15,308,434	\$14,566,553

The above financial information regarding Arch Reinsurance Ltd. has been provided to reinsurance intermediaries. This information only relates to Arch Reinsurance Ltd., and as a result, Arch Capital Group Ltd. ("ACGL") has determined to make it publicly available through its website, and no express or implied representation or warranty is made by ACGL, or any other person, as to the foregoing, and no person undertakes any obligation to publicly update or revise this information. For more information on ACGL and its subsidiaries, please refer to periodic reports that are filed by ACGL with the Securities and Exchange Commission from time to time.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(U.S. dollars in thousands, except share data)

	(Unaudited)	
	Twelve Months Ended	
	December 31,	
	2009	2008
Revenues		
Net premiums written	\$2,763,112	\$2,805,726
Decrease in unearned premiums	79,633	39,728
Net premiums earned	2,842,745	2,845,454
Net investment income	389,958	467,231
Net realized gains (losses)	143,529	(5,282)
Other-than-temporary impairment losses	(147,509)	(181,071)
Less investment impairments recognized in other comprehensive income, before taxes	81,376	—
Net impairment losses recognized in earnings	(66,133)	(181,071)
Fee income	100	1,261
Equity in net income (loss) of investment funds accounted for using the equity method	167,819	(178,608)
Other income	20,016	12,282
Total revenues	3,498,034	2,961,267
Expenses		
Losses and loss adjustment expenses	1,654,674	1,848,744
Acquisition expenses	493,560	490,509
Other operating expenses	360,413	366,670
Interest expense	1,625	—
Net foreign exchange (gains) losses	39,157	(96,585)
Total expenses	2,549,429	2,609,338
Income before income taxes	948,605	351,929
Income tax expense	20,120	12,882
Net income	\$928,485	\$339,047

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