

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

	(Unaudited)	
	September 30,	December 31,
	2010	2009
Assets		
Investments:		
Fixed maturities available for sale, at market value (amortized cost: 2010, \$9,405,351; 2009, \$9,220,349)...	\$9,803,210	\$9,384,743
Short-term investments available for sale, at market value (amortized cost: 2010, \$758,408; 2009, \$548,847).....	761,090	549,867
Investment of funds received under securities lending agreements, at market value (amortized cost: 2010, \$201,072; 2009, \$96,590)	200,020	91,160
TALF investments, at market value (amortized cost: 2010, \$393,377; 2009, \$247,192)	410,881	250,265
Other investments (cost: 2010, \$392,446; 2009, \$162,505)	418,411	172,172
Investment funds accounted for using the equity method.....	432,418	391,869
Total investments	12,026,030	10,840,076
Cash.....	342,596	316,421
Accrued investment income	79,116	70,605
Investment in joint venture (cost: 2010 and 2009, \$100,000).....	104,347	102,855
Fixed maturities and short-term investments pledged under securities lending agreements, at market value...	203,221	212,820
Securities purchased under agreements to resell using funds received under securities lending agreements ..	—	115,839
Premiums receivable	691,802	618,257
Unpaid losses and loss adjustment expenses recoverable.....	1,769,384	1,783,260
Paid losses and loss adjustment expenses recoverable	61,733	61,355
Prepaid reinsurance premiums.....	281,359	287,135
Deferred acquisition costs, net.....	297,250	280,372
Receivable for securities sold.....	1,329,506	187,171
Other assets	447,581	432,268
Total Assets	\$17,633,925	\$15,308,434
Liabilities		
Reserve for losses and loss adjustment expenses.....	\$8,169,161	\$7,997,172
Unearned premiums.....	1,538,219	1,442,481
Reinsurance balances payable	144,280	164,922
TALF borrowings, at market value (par: \$332,291 and \$218,740).....	331,797	217,565
Securities lending payable	209,411	219,116
Payable for securities purchased.....	1,649,462	136,381
Other liabilities	497,205	459,093
Total Liabilities	12,539,535	10,636,730
Commitments and Contingencies		
Shareholder's Equity		
Common shares (\$1.00 par value, 2,625,000 shares authorized, issued: 2010 and 2009, 2,560,423).....	2,560	2,560
Additional paid-in capital	2,251,448	2,225,752
Retained earnings	2,452,328	2,304,966
Accumulated other comprehensive income, net of deferred income tax	388,054	138,426
Total Shareholder's Equity	5,094,390	4,671,704
Total Liabilities and Shareholder's Equity	\$17,633,925	\$15,308,434

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)	
	Nine Months Ended	
	September 30,	
	2010	2009
Revenues		
Net premiums written	\$2,028,129	\$2,244,025
Change in unearned premiums	(107,792)	(109,818)
Net premiums earned	1,920,337	2,134,207
Net investment income	275,014	296,177
Net realized gains	178,430	53,632
Other-than-temporary impairment losses	(9,732)	(142,663)
Less investment impairments recognized in other comprehensive income, before taxes	1,641	81,023
Net impairment losses recognized in earnings	(8,091)	(61,640)
Fee income	60	89
Equity in net income of investment funds accounted for using the equity method	38,410	135,428
Other income	12,346	14,588
Total revenues	<u>2,416,506</u>	<u>2,572,481</u>
Expenses		
Losses and loss adjustment expenses	1,150,389	1,244,314
Acquisition expenses	336,378	373,011
Other operating expenses	288,118	261,421
Interest expense	5,350	270
Net foreign exchange (gains) losses	(22,069)	48,208
Total expenses	<u>1,758,166</u>	<u>1,927,224</u>
Income before income taxes	658,340	645,257
Income tax expense	10,978	20,076
Net Income	<u>\$647,362</u>	<u>\$625,181</u>

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