

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

	(Unaudited)	
	June 30,	December 31,
	2009	2008
Assets		
Investments:		
Fixed maturities available for sale, at fair value (amortized cost: 2009, \$8,925,434; 2008, \$8,308,558)	\$8,937,810	\$8,115,767
Short-term investments available for sale, at fair value (amortized cost: 2009, \$652,119; 2008, \$468,875)...	659,582	470,373
Investment of funds received under securities lending agreements, at fair value (amortized cost: 2009, \$570,816; 2008, \$750,330).....	556,473	730,194
Other investments (cost: 2009, \$115,534; 2008, \$125,858)	115,260	109,601
Investment funds accounted for using the equity method.....	370,165	301,027
Total investments	<u>10,639,290</u>	<u>9,726,962</u>
Cash.....	324,331	230,856
Accrued investment income	70,791	77,988
Investment in joint venture (cost: 2009 and 2008, \$100,000).....	100,656	98,341
Fixed maturities and short-term investments pledged under securities lending agreements, at fair value	559,385	728,065
Premiums receivable	776,280	660,575
Unpaid losses and loss adjustment expenses recoverable.....	1,868,982	1,860,674
Paid losses and loss adjustment expenses recoverable	53,985	63,883
Prepaid reinsurance premiums.....	306,035	320,501
Deferred income tax assets, net	62,922	59,223
Deferred acquisition costs, net.....	307,896	295,192
Receivable for securities sold.....	1,192,658	105,072
Other assets	346,048	339,221
Total Assets	<u>\$16,609,259</u>	<u>\$14,566,553</u>
Liabilities		
Reserve for losses and loss adjustment expenses.....	\$7,937,768	\$7,798,496
Unearned premiums.....	1,655,536	1,543,476
Reinsurance balances payable	180,261	153,082
Securities lending payable	574,014	753,528
Payable for securities purchased.....	1,432,395	123,309
Other liabilities	422,211	399,233
Total Liabilities	<u>12,202,185</u>	<u>10,771,124</u>
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	2,188,140	2,203,440
Retained earnings	2,240,231	1,845,420
Accumulated other comprehensive income (loss), net of deferred income tax.....	(23,857)	(255,991)
Total Shareholder's Equity	<u>4,407,074</u>	<u>3,795,429</u>
Total Liabilities and Shareholder's Equity	<u>\$16,609,259</u>	<u>\$14,566,553</u>

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)	
	Six Months Ended	
	June 30,	
	2009	2008
Revenues		
Net premiums written	\$1,516,717	\$1,497,460
Increase in unearned premiums	(116,895)	(83,551)
Net premiums earned	1,399,822	1,413,909
Net investment income	196,657	238,376
Net realized gains (losses)	(17,004)	45,442
Total other-than-temporary impairment losses	(113,646)	(23,460)
Portion of loss recognized in other comprehensive income (loss), before taxes	56,649	—
Net impairment losses recognized in earnings	(56,997)	(23,460)
Fee income	77	544
Equity in net income (loss) of investment funds accounted for using the equity method	66,309	(2,730)
Other income	8,901	9,004
Total revenues	1,597,765	1,681,085
Expenses		
Losses and loss adjustment expenses	799,400	809,042
Acquisition expenses	250,272	233,865
Other operating expenses	168,320	182,820
Net foreign exchange losses	28,453	23,289
Total expenses	1,246,445	1,249,016
Income before income taxes	351,320	432,069
Income tax expense	17,978	12,849
Net income	\$333,342	\$419,220

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.