ARCH CAPITAL GROUP LTD.
Form 10-Q
August 07, 2009

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

| | |
|---|---|
| **x** | **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |

**For the quarterly period ended June 30, 2009**

**Or**

| | |
|---|---|
| **o** | **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |

**Commission file number: 001-26456**

# ARCH CAPITAL GROUP LTD.

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction of incorporation or organization)

**Not Applicable**

(I.R.S. Employer Identification No.)

**Wessex House, 45 Reid Street**

**Hamilton HM 12, Bermuda**

(Address of principal executive offices)

**(441) 278-9250**

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company o |

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common shares as of the latest practicable date.

| **Class** | **Outstanding at July 31, 2009** |
|---|---|
| Common Shares, $0.01 par value | 60,999,191 |

***ARCH CAPITAL GROUP LTD.***

***INDEX***

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Arch Capital Group Ltd.:

We have reviewed the accompanying consolidated balance sheets of Arch Capital Group Ltd. and its subsidiaries (the Company ) as of June 30, 2009, and the related consolidated statements of income for the three-month and six-month periods ended June 30, 2009 and June 30, 2008, and the consolidated statements of changes in shareholders equity, comprehensive income and cash flows for each of the six-month periods ended June 30, 2009 and June 30, 2008. These interim financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the consolidated financial statements, the Company changed the manner in which it accounts for other-than-temporary impairment losses in 2009.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, changes in shareholders equity, comprehensive income and of cash flows for the year then ended (not presented herein), and in our report dated March 2, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

New York, New York

August 7, 2009

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(U.S. dollars in thousands, except share data)**

| | (Unaudited) June 30, 2009 | December 31, 2008 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Fixed maturities available for sale, at market value (amortized cost: 2009, $8,931,670; 2008, $8,314,615) | $ 8,944,110 | $ 8,122,221 |
| Short-term investments available for sale, at market value (amortized cost: 2009, $653,396; 2008, $478,088) | 660,859 | 479,586 |
| Investment of funds received under securities lending agreements, at market 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 | 10,646,867 | 9,742,629 |
| | | |
| Cash | 336,693 | 251,739 |
| Accrued investment income | 70,854 | 78,052 |
| Investment in joint venture (cost: $100,000) | 100,656 | 98,341 |
| Fixed maturities and short-term investments pledged under securities lending agreements, at market value | 559,385 | 728,065 |
| Premiums receivable | 735,969 | 628,951 |
| Unpaid losses and loss adjustment expenses recoverable | 1,740,248 | 1,729,135 |
| Paid losses and loss adjustment expenses recoverable | 53,432 | 63,294 |
| Prepaid reinsurance premiums | 283,488 | 303,707 |
| Deferred income tax assets, net | 63,838 | 60,192 |
| Deferred acquisition costs, net | 307,896 | 295,192 |
| Receivable for securities sold | 1,192,659 | 105,073 |
| Other assets | 549,950 | 532,175 |
| **Total Assets** | $ 16,641,935 | $ 14,616,545 |
| | | |
| **Liabilities** | | |
| Reserve for losses and loss adjustment expenses | $ 7,809,034 | $ 7,666,957 |
| Unearned premiums | 1,632,989 | 1,526,682 |
| Reinsurance balances payable | 158,974 | 138,509 |
| Senior notes | 300,000 | 300,000 |
| Revolving credit agreement borrowings | 100,000 | 100,000 |
| Securities lending payable | 574,014 | 753,528 |
| Payable for securities purchased | 1,432,395 | 123,309 |
| Other liabilities | 604,561 | 574,595 |
| **Total Liabilities** | 12,611,967 | 11,183,580 |
| | | |
| **Commitments and Contingencies** | | |
| | | |
| **Shareholders Equity** | | |
| Non-cumulative preferred shares ($0.01 par value, 50,000,000 shares authorized, issued: 13,000,000) | 130 | 130 |
| Common shares ($0.01 par value, 200,000,000 shares authorized, issued: 2009, 60,980,806; 2008, 60,511,974) | 610 | 605 |
| Additional paid-in capital | 1,006,315 | 994,585 |
| Retained earnings | 3,046,706 | 2,693,239 |

| | | | | |
|---|---|---|---|---|
| Accumulated other comprehensive income (loss), net of deferred income tax | | (23,793) | | (255,594) |
| **Total Shareholders Equity** | | 4,029,968 | | 3,432,965 |
| **Total Liabilities and Shareholders Equity** | $ | 16,641,935 | $ | 14,616,545 |

See Notes to Consolidated Financial Statements

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

**(U.S. dollars in thousands, except share data)**

| | (Unaudited) Three Months Ended June 30, 2009 | (Unaudited) Three Months Ended June 30, 2008 | (Unaudited) Six Months Ended June 30, 2009 | (Unaudited) Six Months Ended June 30, 2008 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Net premiums written | $ 693,854 | $ 686,118 | $ 1,516,717 | $ 1,497,460 |
| Decrease (increase) in unearned premiums | 5,404 | 19,557 | (116,895) | (83,551) |
| Net premiums earned | 699,258 | 705,675 | 1,399,822 | 1,413,909 |
| Net investment income | 100,485 | 117,120 | 196,367 | 239,313 |
| Net realized gains (losses) | (11,793) | (1,920) | (16,957) | 46,766 |
| | | | | |
| Total other-than-temporary impairment losses | (20,657) | (10,749) | (113,646) | (23,460) |
| Portion of loss recognized in other comprehensive income (loss), before taxes | (206) | | 56,649 | |
| Net impairment losses recognized in earnings | (20,863) | (10,749) | (56,997) | (23,460) |
| | | | | |
| Fee income | 817 | 1,238 | 1,742 | 2,306 |
| Equity in net income (loss) of investment funds accounted for using the equity method | 75,890 | 19,583 | 66,309 | (2,730) |
| Other income | 4,950 | 4,968 | 8,901 | 9,004 |
| **Total revenues** | 848,744 | 835,915 | 1,599,187 | 1,685,108 |
| | | | | |
| **Expenses** | | | | |
| Losses and loss adjustment expenses | 398,858 | 404,625 | 799,400 | 809,042 |
| Acquisition expenses | 123,814 | 119,226 | 250,272 | 233,865 |
| Other operating expenses | 99,294 | 102,578 | 186,410 | 199,765 |
| Interest expense | 5,712 | 5,788 | 11,424 | 11,312 |
| Net foreign exchange (gains) losses | 53,658 | (298) | 28,453 | 23,289 |
| **Total expenses** | 681,336 | 631,919 | 1,275,959 | 1,277,273 |
| | | | | |
| **Income before income taxes** | 167,408 | 203,996 | 323,228 | 407,835 |
| | | | | |
| Income tax expense | 8,818 | 5,253 | 18,308 | 13,209 |
| | | | | |
| **Net income** | 158,590 | 198,743 | 304,920 | 394,626 |
| | | | | |
| Preferred dividends | 6,461 | 6,461 | 12,922 | 12,922 |
| | | | | |
| **Net income available to common shareholders** | $ 152,129 | $ 192,282 | $ 291,998 | $ 381,704 |
| | | | | |
| **Net income per common share** | | | | |
| Basic | $ 2.52 | $ 3.05 | $ 4.84 | $ 5.95 |
| Diluted | $ 2.43 | $ 2.92 | $ 4.67 | $ 5.71 |
| | | | | |
| **Weighted average common shares and common share equivalents outstanding** | | | | |
| Basic | 60,417,391 | 62,995,550 | 60,365,758 | 64,145,533 |
| Diluted | 62,626,317 | 65,748,119 | 62,589,856 | 66,886,972 |

See Notes to Consolidated Financial Statements

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**(U.S. dollars in thousands)**

| | (Unaudited) Six Months Ended June 30, 2009 | 2008 |
|---|---|---|
| **Non-Cumulative Preferred Shares** | | |
| Balance at beginning and end of period | $ 130 | $ 130 |
| | | |
| **Common Shares** | | |
| Balance at beginning of year | 605 | 673 |
| Common shares issued, net | 5 | 2 |
| Purchases of common shares under share repurchase program | | (56) |
| Balance at end of period | 610 | 619 |
| | | |
| **Additional Paid-in Capital** | | |
| Balance at beginning of year | 994,585 | 1,451,667 |
| Common shares issued | 2,557 | 3,511 |
| Exercise of stock options | 1,233 | 9,073 |
| Common shares retired | (6,243) | (391,776) |
| Amortization of share-based compensation | 14,267 | 17,511 |
| Other | (84) | (350) |
| Balance at end of period | 1,006,315 | 1,089,636 |
| | | |
| **Retained Earnings** | | |
| Balance at beginning of year | 2,693,239 | 2,428,117 |
| Cumulative effect of change in accounting principle, adoption of FSP FAS 115-2/124-2 **(1)** | 61,469 | |
| Balance at beginning of year, as adjusted | 2,754,708 | 2,428,117 |
| Dividends declared on preferred shares | (12,922) | (12,922) |
| Net income | 304,920 | 394,626 |
| Balance at end of period | 3,046,706 | 2,809,821 |
| | | |
| **Accumulated Other Comprehensive Income (Loss)** | | |
| Balance at beginning of year | (255,594) | 155,224 |
| Cumulative effect of change in accounting principle, adoption of FSP FAS 115-2/124-2 **(1)** | (61,469) | |
| Balance at beginning of year, as adjusted | (317,063) | 155,224 |
| Change in unrealized appreciation (decline) in value of investments, net of deferred income tax | 339,708 | (169,023) |
| Portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred income tax | (56,649) | |
| Foreign currency translation adjustments, net of deferred income tax | 10,211 | (174) |
| Balance at end of period | (23,793) | (13,973) |
| | | |
| **Total Shareholders Equity** | $ 4,029,968 | $ 3,886,233 |

(1) FASB Staff Position No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments ( FSP FAS 115-2/124-2 )

See Notes to Consolidated Financial Statements

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(U.S. dollars in thousands)**

| | (Unaudited) Six Months Ended June 30, 2009 | 2008 |
|---|---|---|
| **Comprehensive Income** | | |
| Net income | $ 304,920 | $ 394,626 |
| Other comprehensive income (loss), net of deferred income tax | | |
| Unrealized appreciation (decline) in value of investments: | | |
| Unrealized holding gains (losses) arising during period | 261,248 | (127,124) |
| Portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred income tax | (56,649) | |
| Reclassification of net realized (gains) losses, net of income taxes, included in net income | 78,460 | (41,899) |
| Foreign currency translation adjustments | 10,211 | (174) |
| **Other comprehensive income (loss)** | 293,270 | (169,197) |
| **Comprehensive Income** | $ 598,190 | $ 225,429 |

See Notes to Consolidated Financial Statements

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(U.S. dollars in thousands)**

| | (Unaudited) Six Months Ended June 30, 2009 | 2008 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 304,920 | $ 394,626 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Net realized (gains) losses | 17,451 | (43,547) |
| Net impairment losses recognized in earnings | 56,997 | 23,460 |
| Equity in net (income) loss of investment funds accounted for using the equity method and other income | (70,234) | (6,009) |
| Share-based compensation | 14,267 | 17,511 |
| Changes in: | | |
| Reserve for losses and loss adjustment expenses, net of unpaid losses and loss adjustment expenses recoverable | 88,914 | 278,357 |
| Unearned premiums, net of prepaid reinsurance premiums | 116,092 | 85,364 |
| Premiums receivable | (95,693) | (126,518) |
| Deferred acquisition costs, net | (10,420) | (29,810) |
| Reinsurance balances payable | 17,465 | (47,774) |
| Other liabilities | 7,991 | 48,281 |
| Other items, net | 70,795 | (3,133) |
| **Net Cash Provided By Operating Activities** | 518,545 | 590,808 |
| | | |
| **Investing Activities** | | |
| Purchases of fixed maturity investments | (10,197,956) | (7,510,262) |
| Proceeds from sales of fixed maturity investments | 9,482,469 | 7,044,479 |
| Proceeds from redemptions and maturities of fixed maturity investments | 377,034 | 317,369 |
| Purchases of other investments | (32,351) | (187,652) |
| Proceeds from sales of other investments | 19,794 | 89,324 |
| Investment in joint venture | | (100,000) |
| Net (purchases) sales of short-term investments | (61,105) | 60,739 |
| Change in investment of securities lending collateral | 179,514 | 585,516 |
| Purchases of furniture, equipment and other assets | (11,519) | (4,984) |
| **Net Cash Provided By (Used For) Investing Activities** | (244,120) | 294,529 |
| | | |
| **Financing Activities** | | |
| Purchases of common shares under share repurchase program | (1,552) | (389,753) |
| Proceeds from common shares issued, net | (1,380) | 8,050 |
| Revolving credit agreement borrowings | | 100,000 |
| Change in securities lending collateral | (179,514) | (585,516) |
| Other | (549) | 1,276 |
| Preferred dividends paid | (12,922) | (12,922) |
| **Net Cash Used For Financing Activities** | (195,917) | (878,865) |
| | | |
| Effects of exchange rate changes on foreign currency cash | 6,446 | 157 |
| | | |
| Increase in cash | 84,954 | 6,629 |
| Cash beginning of year | 251,739 | 239,915 |
| **Cash end of period** | $ 336,693 | $ 246,544 |

| | | | | |
|---|---|---|---|---|
| Income taxes paid, net | $ | 22,118 | $ | 5,233 |
| Interest paid | $ | 11,496 | $ | 11,259 |

See Notes to Consolidated Financial Statements

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 1. General

Arch Capital Group Ltd. ( ACGL ) is a Bermuda public limited liability company which provides insurance and reinsurance on a worldwide basis through its wholly owned subsidiaries.

The interim consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ( GAAP ) and include the accounts of ACGL and its wholly owned subsidiaries (together with ACGL, the Company ). All significant intercompany transactions and balances have been eliminated in consolidation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments (consisting of normally recurring accruals) necessary for a fair statement of results on an interim basis. The results of any interim period are not necessarily indicative of the results for a full year or any future periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted; however, management believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2008, including the Company s audited consolidated financial statements and related notes and the section entitled Risk Factors.

To facilitate period-to-period comparisons, certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation. Such reclassifications had no effect on the Company s consolidated net income. Additionally, the Company adopted FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, effective for its interim period ending March 31, 2009. See Note 8, Investment Information Other-Than-Temporary Impairments for further details.

## 2. Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46R ( SFAS No. 167 ). The amendments to the consolidation guidance affect all entities currently within the scope of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities ( FIN 46R ), as well as qualifying special-purpose entities ( QSPEs ) that are currently excluded from the scope of FIN 46R. SFAS No.167 amends FIN 46R to require an analysis to determine whether a variable interest gives a company a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment of all variable interest entities and eliminates the quantitative approach previously required for determining whether a company is the primary beneficiary. This statement is effective for fiscal years beginning after November 15, 2009. Accordingly, the Company will adopt SFAS No. 167 on January 1, 2010. The Company is currently evaluating the impact that SFAS No. 167 may have on its financial condition and results of operations.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 ( SFAS No.166 ). SFAS No. 166 removes the concept of a qualifying special-purpose entity from SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities ( SFAS No. 140 ) and removes the exception from applying FIN 46R. This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting and enhances disclosures about transfers of financial assets and a transferor s continuing involvement with transferred financial assets. SFAS No.166 is effective prospectively to transfers of financial assets occurring in fiscal years beginning after November 15, 2009. Accordingly, the Company will

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

adopt SFAS No. 166 on January 1, 2010. The Company is currently evaluating the impact that SFAS No. 166 may have on its financial condition and results of operations.

In June 2009, the FASB approved the FASB Accounting Standards Codification (the Codification) as the single source of authoritative nongovernmental U.S. GAAP launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company in the interim period ending September 30, 2009, and it does not expect the adoption to have a material impact on its consolidated financial position or results of operations.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS No. 165), which establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. SFAS No.165 is effective with interim and annual financial periods ending after June 15, 2009. The adoption did not impact the Company s consolidated financial position or results of operations. See Note 15, Subsequent Events.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2/124-2). FSP FAS 115-2/124-2 requires entities to separate an other-than-temporary impairment of a debt security into two components when there are credit related losses associated with the impaired debt security for which the Company asserts that it does not have the intent to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of its cost basis. The amount of the other-than-temporary impairment related to a credit loss is recognized in earnings, and the amount of the other-than-temporary impairment related to other factors (e.g., interest rates, market conditions, etc.) is recorded as a component of other comprehensive income (loss). FSP FAS 115-2/124-2 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company elected to adopt FSP FAS 115-2/124-2 effective for its interim period ending March 31, 2009. See Note 8, Investment Information Other Than Temporary Impairments.

In April 2009, the FASB issued FSP No. FAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 also amended SFAS No. 157, Fair Value Measurements, to expand certain disclosure requirements. FSP FAS 157-4 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company elected to adopt FSP FAS 157-4 effective for its interim period ending March 31, 2009, and its adoption did not have a material impact on the Company s consolidated financial condition or results of operations. See Note 8, Investment Information Fair Value.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1/APB 28-1). FSP FAS 107-1/APB 28-1 requires disclosures about fair value of financial instruments in interim and annual financial statements. FSP FAS 107-1/APB 28-1 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company elected to adopt FSP FAS 107-1/APB 28-1 effective for its interim period ending March 31, 2009, and has included the required disclosures in its notes to consolidated financial statements where applicable.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## 3. Share Transactions

*Share Repurchases*

The board of directors of ACGL has authorized the investment of up to $1.5 billion in ACGL s common shares through a share repurchase program. Repurchases under the program may be effected from time to time in open market or privately negotiated transactions through February 2010. During the six months ended June 30, 2009, ACGL repurchased $1.6 million of common shares through the share repurchase program. Since the inception of the share repurchase program through June 30, 2009, ACGL has repurchased 15.3 million common shares for an aggregate purchase price of $1.05 billion. As a result of the share repurchase transactions to date, weighted average shares outstanding for the 2009 second quarter and six months ended June 30, 2009 were reduced by 15.3 million shares. Weighted average shares outstanding for the 2008 second quarter and six months ended June 30, 2008 were reduced by 11.9 million and 10.6 million shares, respectively.

At June 30, 2009, $448.3 million of repurchases were available under the share repurchase program. The timing and amount of the repurchase transactions under this program will depend on a variety of factors, including market conditions and corporate and regulatory considerations. In connection with the share repurchase program, the Warburg Pincus funds waived their rights relating to share repurchases under its shareholders agreement with ACGL for all repurchases of common shares by ACGL under the share repurchase program in open market transactions and certain privately negotiated transactions.

*Non-Cumulative Preferred Shares*

During 2006, ACGL completed two public offerings of non-cumulative preferred shares. On February 1, 2006, $200.0 million principal amount of 8.0% series A non-cumulative preferred shares ( Series A Preferred Shares ) were issued with net proceeds of $193.5 million and, on May 24, 2006, $125.0 million principal amount of 7.875% series B non-cumulative preferred shares ( Series B Preferred Shares and together with the Series A Preferred Shares, the Preferred Shares ) were issued with net proceeds of $120.9 million. The net proceeds of the offerings were used to support the underwriting activities of ACGL s insurance and reinsurance subsidiaries. ACGL has the right to redeem all or a portion of each series of Preferred Shares at a redemption price of $25.00 per share on or after (1) February 1, 2011 for the Series A Preferred Shares and (2) May 15, 2011 for the Series B Preferred Shares. Dividends on the Preferred Shares are non-cumulative. Consequently, in the event dividends are not declared on the Preferred Shares for any dividend period, holders of Preferred Shares will not be entitled to receive a dividend for such period, and such undeclared dividend will not accrue and will not be payable. Holders of Preferred Shares will be entitled to receive dividend payments only when, as and if declared by ACGL s board of directors or a duly authorized committee of the board of directors. Any such dividends will be payable from the date of original issue on a non-cumulative basis, quarterly in arrears. To the extent declared, these dividends will accumulate, with respect to each dividend period, in an amount per share equal to 8.0% of the $25.00 liquidation preference per annum for the Series A Preferred Shares and 7.875% of the $25.00 liquidation preference per annum for the Series B Preferred Shares. During the six months ended June 30, 2009 and 2008, the Company paid $12.9 million to holders of the Preferred Shares. At June 30, 2009, the Company had declared an aggregate of $3.3 million of dividends to be paid to holders of the Preferred Shares.

*Share-Based Compensation*

During the 2009 second quarter, the Company made a stock grant of 367,825 stock appreciation rights and stock options and 361,075 restricted shares and units to certain employees. During the 2008 second quarter, the Company made a stock grant of 333,175 stock appreciation rights and stock options and 328,575 restricted shares and units to certain employees. The stock appreciation rights and stock options were valued at the grant date using the Black-Scholes option pricing model. The weighted average grant-date fair value of the stock appreciation rights and options and restricted shares and units granted during the 2009 second quarter were

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

approximately $17.64 and $57.63 per share, respectively. Such values will be amortized over the respective substantive vesting period. The weighted average grant-date fair value of the stock appreciation rights and options and restricted shares and units granted during the 2008 second quarter were approximately $19.07 and $69.30 per share, respectively. Such values are being amortized over the respective substantive vesting period.

## 4. Debt and Financing Arrangements

***Senior Notes***

On May 4, 2004, ACGL completed a public offering of $300 million principal amount of 7.35% senior notes ( Senior Notes ) due May 1, 2034 and received net proceeds of $296.4 million. ACGL used $200 million of the net proceeds to repay all amounts outstanding under a revolving credit agreement. The Senior Notes are ACGL s senior unsecured obligations and rank equally with all of its existing and future senior unsecured indebtedness. Interest payments on the Senior Notes are due on May 1st and November 1st of each year. ACGL may redeem the Senior Notes at any time and from time to time, in whole or in part, at a make-whole redemption price. For the six months ended June 30, 2009 and 2008, interest expense on the Senior Notes was $11.0 million. The market value of the Senior Notes at June 30, 2009 and December 31, 2008 was $237.4 million and $246.1 million, respectively.

***Letter of Credit and Revolving Credit Facilities***

As of June 30, 2009, the Company had a $300 million unsecured revolving loan and letter of credit facility and a $1.0 billion secured letter of credit facility (the Credit Agreement ). Under the terms of the agreement, Arch Reinsurance Company ( Arch Re U.S. ) is limited to issuing $100 million of unsecured letters of credit as part of the $300 million unsecured revolving loan. Borrowings of revolving loans may be made by ACGL and Arch Re U.S. at a variable rate based on LIBOR or an alternative base rate at the option of the Company. Secured letters of credit are available for issuance on behalf of the Company s insurance and reinsurance subsidiaries. Issuance of letters of credit and borrowings under the Credit Agreement are subject to the Company s compliance with certain covenants and conditions, including absence of a material adverse change. These covenants require, among other things, that the Company maintain a debt to total capital ratio of not greater than 0.35 to 1 and shareholders equity in excess of $1.95 billion plus 25% of future aggregate net income for each quarterly period (not including any future net losses) beginning after June 30, 2006 and 25% of future aggregate proceeds from the issuance of common or preferred equity and that the Company s principal insurance and reinsurance subsidiaries maintain at least a B++ rating from A.M. Best. In addition, certain of the Company s subsidiaries which are party to the Credit Agreement are required to maintain minimum shareholders equity levels. The Company was in compliance with all covenants contained in the Credit Agreement at June 30, 2009. The Credit Agreement expires on August 30, 2011.

Including the secured letter of credit portion of the Credit Agreement and another letter of credit facility (together, the LOC Facilities ), the Company has access to letter of credit facilities for up to a total of $1.45 billion. The principal purpose of the LOC Facilities is to issue, as required, evergreen standby letters of credit in favor of primary insurance or reinsurance counterparties with which the Company has entered into reinsurance arrangements to ensure that such counterparties are permitted to take credit for reinsurance obtained from the Company s reinsurance subsidiaries in United States jurisdictions where such subsidiaries are not licensed or otherwise admitted as an insurer, as required under insurance regulations in the United States, and to comply with requirements of Lloyd s of London in connection with qualifying quota share and other arrangements. The amount of letters of credit issued is driven by, among other things, the timing and payment of catastrophe losses, loss development of existing reserves, the payment pattern of such reserves, the further expansion of the Company s business and the loss experience of such business. When issued, certain letters of credit are secured by a portion of the Company s investment portfolio. In addition, the LOC Facilities also require the maintenance of certain covenants, which the Company was in compliance with at June 30, 2009. At such date, the Company had $711.2 million in outstanding letters of credit under the LOC Facilities, which were secured by investments

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

with a market value of $848.2 million. In May 2008, the Company borrowed $100.0 million under the Credit Agreement at a Company-selected variable interest rate that is based on 1 month, 3 month or 6 month reset option terms and their corresponding term LIBOR rates plus 27.5 basis points. The proceeds from such borrowings, which are repayable in August 2011, were contributed as additional share capital to Arch Reinsurance Ltd. ( Arch Re Bermuda ) and used to fund the investment in Gulf Re (see Note 7).

**5. Segment Information**

The Company classifies its businesses into two underwriting segments insurance and reinsurance and corporate and other (non-underwriting). The Company s insurance and reinsurance operating segments each have segment managers who are responsible for the overall profitability of their respective segments and who are directly accountable to the Company s chief operating decision makers, the President and Chief Executive Officer of ACGL and the Chief Financial Officer of ACGL. The chief operating decision makers do not assess performance, measure return on equity or make resource allocation decisions on a line of business basis. The Company determined its reportable operating segments using the management approach described in SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information.

Management measures segment performance based on underwriting income or loss. The Company does not manage its assets by segment and, accordingly, investment income is not allocated to each underwriting segment. In addition, other revenue and expense items are not evaluated by segment. The accounting policies of the segments are the same as those used for the preparation of the Company s consolidated financial statements. Intersegment business is allocated to the segment accountable for the underwriting results.

The insurance segment consists of the Company s insurance underwriting subsidiaries which primarily write on both an admitted and non-admitted basis. The insurance segment consists of eleven product lines: casualty; construction; executive assurance; healthcare; national accounts casualty; professional liability; programs; property, energy marine and aviation; surety; travel and accident; and other (consisting of excess workers compensation, employers liability and collateral protection business).

The reinsurance segment consists of the Company s reinsurance underwriting subsidiaries. The reinsurance segment generally seeks to write significant lines on specialty property and casualty reinsurance contracts. Classes of business include: casualty; marine and aviation; other specialty; property catastrophe; property excluding property catastrophe (losses on a single risk, both excess of loss and pro rata); and other (consisting of non-traditional and casualty clash business).

Corporate and other (non-underwriting) includes net investment income, other income (loss), other expenses incurred by the Company, interest expense, net realized gains or losses, net impairment losses recognized in earnings, equity in net income (loss) of investment funds accounted for using the equity method, net foreign exchange gains or losses, income taxes and dividends on the Company s non-cumulative preferred shares.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following tables set forth an analysis of the Company s underwriting income by segment, together with a reconciliation of underwriting income to net income available to common shareholders:

| (U.S. dollars in thousands) | Insurance | Three Months Ended June 30, 2009 Reinsurance | Total |
|---|---|---|---|
| Gross premiums written **(1)** | $ 636,645 | $ 278,389 | $ 911,920 |
| Net premiums written **(1)** | 419,318 | 274,536 | 693,854 |
| | | | |
| Net premiums earned **(1)** | $ 417,454 | $ 281,804 | $ 699,258 |
| Fee income | 795 | 22 | 817 |
| Losses and loss adjustment expenses | (287,350) | (111,508) | (398,858) |
| Acquisition expenses, net | (58,748) | (65,066) | (123,814) |
| Other operating expenses | (70,836) | (16,943) | (87,779) |
| Underwriting income | $ 1,315 | $ 88,309 | 89,624 |
| | | | |
| Net investment income | | | 100,485 |
| Net realized losses | | | (11,793) |
| Net impairment losses recognized in earnings | | | (20,863) |
| Equity in net income of investment funds accounted for using the equity method | | | 75,890 |
| Other income | | | 4,950 |
| Other expenses | | | (11,515) |
| Interest expense | | | (5,712) |
| Net foreign exchange losses | | | (53,658) |
| Income before income taxes | | | 167,408 |
| Income tax expense | | | (8,818) |
| | | | |
| **Net income** | | | 158,590 |
| Preferred dividends | | | (6,461) |
| **Net income available to common shareholders** | | | $ 152,129 |
| | | | |
| **Underwriting Ratios** | | | |
| Loss ratio | 68.8% | 39.6% | 57.0% |
| Acquisition expense ratio **(2)** | 13.9% | 23.1% | 17.6% |
| Other operating expense ratio | 17.0% | 6.0% | 12.6% |
| Combined ratio | 99.7% | 68.7% | 87.2% |

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions. Accordingly, the sum of gross premiums written for each segment does not agree to the total gross premiums written as shown in the table above due to the elimination of intersegment transactions in the total. The insurance segment and reinsurance segment results include nil and $3.1 million, respectively, of gross and net premiums written and $0.4 million and $3.6 million, respectively, of net premiums earned assumed through intersegment transactions.

(2) The acquisition expense ratio is adjusted to include policy-related fee income.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

| (U.S. dollars in thousands) | Insurance | Three Months Ended June 30, 2008 Reinsurance | Total |
|---|---|---|---|
| Gross premiums written **(1)** | $ 621,663 | $ 273,318 | $ 886,926 |
| Net premiums written **(1)** | 421,501 | 264,617 | 686,118 |
| | | | |
| Net premiums earned **(1)** | $ 416,585 | $ 289,090 | $ 705,675 |
| Fee income | 880 | 358 | 1,238 |
| Losses and loss adjustment expenses | (262,633) | (141,992) | (404,625) |
| Acquisition expenses, net | (55,400) | (63,826) | (119,226) |
| Other operating expenses | (71,566) | (20,091) | (91,657) |
| Underwriting income | $ 27,866 | $ 63,539 | 91,405 |
| | | | |
| Net investment income | | | 117,120 |
| Net realized losses | | | (1,920) |
| Net impairment losses recognized in earnings | | | (10,749) |
| Equity in net income of investment funds accounted for using the equity method | | | 19,583 |
| Other income | | | 4,968 |
| Other expenses | | | (10,921) |
| Interest expense | | | (5,788) |
| Net foreign exchange gains | | | 298 |
| Income before income taxes | | | 203,996 |
| Income tax expense | | | (5,253) |
| | | | |
| **Net income** | | | 198,743 |
| Preferred dividends | | | (6,461) |
| **Net income available to common shareholders** | | | $ 192,282 |
| | | | |
| **Underwriting Ratios** | | | |
| Loss ratio | 63.0% | 49.1% | 57.3% |
| Acquisition expense ratio **(2)** | 13.1% | 22.1% | 16.8% |
| Other operating expense ratio | 17.2% | 6.9% | 13.0% |
| Combined ratio | 93.3% | 78.1% | 87.1% |

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions. Accordingly, the sum of gross premiums written for each segment does not agree to the total gross premiums written as shown in the table above due to the elimination of intersegment transactions in the total. The insurance segment and reinsurance segment results include $0.1 million and $8.0 million, respectively, of gross and net premiums written and $0.1 million and $8.5 million, respectively, of net premiums earned assumed through intersegment transactions.

(2) The acquisition expense ratio is adjusted to include certain fee income.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

| | Six Months Ended June 30, 2009 | | |
|---|---|---|---|
| **(U.S. dollars in thousands)** | **Insurance** | **Reinsurance** | **Total** |
| Gross premiums written **(1)** | $ 1,275,054 | $ 668,518 | $ 1,936,891 |
| Net premiums written **(1)** | 860,904 | 655,813 | 1,516,717 |
| | | | |
| Net premiums earned **(1)** | $ 818,551 | $ 581,271 | $ 1,399,822 |
| Fee income | 1,665 | 77 | 1,742 |
| Losses and loss adjustment expenses | (557,365) | (242,035) | (799,400) |
| Acquisition expenses, net | (116,371) | (133,901) | (250,272) |
| Other operating expenses | (133,744) | (35,135) | (168,879) |
| Underwriting income | $ 12,736 | $ 170,277 | 183,013 |
| | | | |
| Net investment income | | | 196,367 |
| Net realized losses | | | (16,957) |
| Net impairment losses recognized in earnings | | | (56,997) |
| Equity in net income of investment funds accounted for using the equity method | | | 66,309 |
| Other income | | | 8,901 |
| Other expenses | | | (17,531) |
| Interest expense | | | (11,424) |
| Net foreign exchange losses | | | (28,453) |
| Income before income taxes | | | 323,228 |
| Income tax expense | | | (18,308) |
| | | | |
| **Net income** | | | 304,920 |
| Preferred dividends | | | (12,922) |
| **Net income available to common shareholders** | | | $ 291,998 |
| | | | |
| **Underwriting Ratios** | | | |
| Loss ratio | 68.1% | 41.6% | 57.1% |
| Acquisition expense ratio **(2)** | 14.0% | 23.0% | 17.8% |
| Other operating expense ratio | 16.3% | 6.0% | 12.1% |
| Combined ratio | 98.4% | 70.6% | 87.0% |

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions. Accordingly, the sum of gross premiums written for each segment does not agree to the total gross premiums written as shown in the table above due to the elimination of intersegment transactions in the total. The insurance segment and reinsurance segment results include $0.1 million and $6.6 million, respectively, of gross and net premiums written and $0.9 million and $8.3 million, respectively, of net premiums earned assumed through intersegment transactions.

(2) The acquisition expense ratio is adjusted to include policy-related fee income.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

| | Six Months Ended June 30, 2008 | | |
|---|---|---|---|
| **(U.S. dollars in thousands)** | **Insurance** | **Reinsurance** | **Total** |
| Gross premiums written **(1)** | $ 1,248,011 | $ 707,145 | $ 1,940,078 |
| Net premiums written **(1)** | 824,265 | 673,195 | 1,497,460 |
| | | | |
| Net premiums earned **(1)** | $ 835,685 | $ 578,224 | $ 1,413,909 |
| Fee income | 1,762 | 544 | 2,306 |
| Losses and loss adjustment expenses | (549,936) | (259,106) | (809,042) |
| Acquisition expenses, net | (107,289) | (126,576) | (233,865) |
| Other operating expenses | (145,203) | (38,329) | (183,532) |
| Underwriting income | $ 35,019 | $ 154,757 | 189,776 |
| | | | |
| Net investment income | | | 239,313 |
| Net realized gains | | | 46,766 |
| Net impairment losses recognized in earnings | | | (23,460) |
| Equity in net income (loss) of investment funds accounted for using the equity method | | | (2,730) |
| Other income | | | 9,004 |
| Other expenses | | | (16,233) |
| Interest expense | | | (11,312) |
| Net foreign exchange losses | | | (23,289) |
| Income before income taxes | | | 407,835 |
| Income tax expense | | | (13,209) |
| | | | |
| **Net income** | | | 394,626 |
| Preferred dividends | | | (12,922) |
| **Net income available to common shareholders** | | | $ 381,704 |
| | | | |
| **Underwriting Ratios** | | | |
| Loss ratio | 65.8% | 44.8% | 57.2% |
| Acquisition expense ratio **(2)** | 12.6% | 21.9% | 16.4% |
| Other operating expense ratio | 17.4% | 6.6% | 13.0% |
| Combined ratio | 95.8% | 73.3% | 86.6% |

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions. Accordingly, the sum of gross premiums written for each segment does not agree to the total gross premiums written as shown in the table above due to the elimination of intersegment transactions in the total. The insurance segment and reinsurance segment results include \$0.1 million and \$15.0 million, respectively, of gross and net premiums written and \$0.2 million and \$17.2 million, respectively, of net premiums earned assumed through intersegment transactions.

(2) The acquisition expense ratio is adjusted to include certain fee income.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Set forth below is summary information regarding net premiums written and earned by major line of business and net premiums written by client location for the insurance segment:

| **INSURANCE SEGMENT (U.S. dollars in thousands)** | **Three Months Ended June 30, 2009 Amount** | **2009 % of Total** | **2008 Amount** | **2008 % of Total** |
|---|---|---|---|---|
| **Net premiums written (1)** | | | | |
| Property, energy, marine and aviation | $ 86,385 | 20.6 | $ 89,674 | 21.3 |
| Programs | 72,279 | 17.2 | 73,202 | 17.4 |
| Professional liability | 57,773 | 13.8 | 63,583 | 15.1 |
| Construction | 56,190 | 13.4 | 50,105 | 11.9 |
| Executive assurance | 52,919 | 12.6 | 43,740 | 10.4 |
| Casualty | 27,217 | 6.5 | 31,161 | 7.4 |
| Travel and accident | 19,557 | 4.7 | 15,948 | 3.8 |
| Healthcare | 9,667 | 2.3 | 11,027 | 2.6 |
| Surety | 9,254 | 2.2 | 10,206 | 2.4 |
| National accounts casualty | 7,582 | 1.8 | 9,416 | 2.2 |
| Other **(2)** | 20,495 | 4.9 | 23,439 | 5.5 |
| Total | $ 419,318 | 100.0 | $ 421,501 | 100.0 |
| **Net premiums earned (1)** | | | | |
| Property, energy, marine and aviation | $ 78,570 | 18.8 | $ 83,830 | 20.1 |
| Programs | 71,809 | 17.2 | 62,085 | 14.9 |
| Professional liability | 56,549 | 13.5 | 66,200 | 15.9 |
| Construction | 43,364 | 10.4 | 39,225 | 9.4 |
| Executive assurance | 52,288 | 12.5 | 44,496 | 10.7 |
| Casualty | 31,246 | 7.5 | 38,292 | 9.2 |
| Travel and accident | 18,198 | 4.4 | 15,994 | 3.8 |
| Healthcare | 10,830 | 2.6 | 13,137 | 3.2 |
| Surety | 12,141 | 2.9 | 12,057 | 2.9 |
| National accounts casualty | 13,079 | 3.1 | 9,752 | 2.3 |
| Other **(2)** | 29,380 | 7.1 | 31,517 | 7.6 |
| Total | $ 417,454 | 100.0 | $ 416,585 | 100.0 |
| **Net premiums written by client location (1)** | | | | |
| United States | $ 339,375 | 80.9 | $ 330,154 | 78.3 |
| Europe | 48,126 | 11.5 | 56,657 | 13.4 |
| Other | 31,817 | 7.6 | 34,690 | 8.3 |
| Total | $ 419,318 | 100.0 | $ 421,501 | 100.0 |
| **Net premiums written by underwriting location (1)** | | | | |
| United States | $ 315,466 | 75.2 | $ 318,227 | 75.5 |
| Europe | 78,305 | 18.7 | 79,854 | 18.9 |
| Other | 25,547 | 6.1 | 23,420 | 5.6 |
| Total | $ 419,318 | 100.0 | $ 421,501 | 100.0 |

(1) Insurance segment results include premiums written and earned assumed through intersegment transactions of nil and $0.4 million, respectively, for the 2009 second quarter and premiums written and earned of $0.1 million for the 2008 second quarter. Insurance segment results exclude premiums written and earned ceded through intersegment transactions of $3.1 million and $3.6 million, respectively, for the 2009 second quarter and $8.0 million and $8.5 million, respectively, for the 2008 second quarter.

(2) Includes excess workers compensation, employers liability, and collateral protection business.

**ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

| INSURANCE SEGMENT (U.S. dollars in thousands) | Six Months Ended June 30, 2009 Amount | 2009 % of Total | 2008 Amount | 2008 % of Total |
|---|---|---|---|---|
| **Net premiums written (1)** | | | | |
| Property, energy, marine and aviation | $ 192,414 | 22.4 | $ 186,911 | 22.7 |
| Programs | 147,086 | 17.1 | 127,785 | 15.5 |
| Professional liability | 109,781 | 12.8 | 117,664 | 14.3 |
| Executive assurance | 102,998 | 12.0 | 85,909 | 10.4 |
| Construction | 92,761 | 10.8 | 89,585 | 10.9 |
| Casualty | 53,756 | 6.2 | 59,704 | 7.2 |
| Travel and accident | 37,091 | 4.3 | 32,601 | 4.0 |
| National accounts casualty | 31,809 | 3.7 | 22,471 | 2.7 |
| Healthcare | 20,886 | 2.4 | 22,024 | 2.7 |
| Surety | 20,612 | 2.4 | 21,073 | 2.6 |
| Other **(2)** | 51,710 | 5.9 | 58,538 | 7.0 |
| Total | $ 860,904 | 100.0 | $ 824,265 | 100.0 |
| **Net premiums earned (1)** | | | | |
| Property, energy, marine and aviation | $ 152,410 | 18.6 | $ 168,288 | 20.1 |
| Programs | 138,478 | 16.9 | 119,072 | 14.2 |
| Professional liability | 114,783 | 14.0 | 135,010 | 16.2 |
| Executive assurance | 100,104 | 12.2 | 88,904 | 10.6 |
| Construction | 83,784 | 10.2 | 81,942 | 9.8 |
| Casualty | 63,944 | 7.8 | 80,598 | 9.6 |
| Travel and accident | 31,354 | 3.8 | 31,479 | 3.8 |
| National accounts casualty | 27,518 | 3.4 | 17,675 | |