

EXAMINATION REPORT
OF
ARCH REINSURANCE COMPANY
AS OF
DECEMBER 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
ARCH REINSURANCE COMPANY
AS OF
DECEMBER 31, 2024

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 21 day of May, 2026

TABLE OF CONTENTS

SCOPE OF EXAMINATION..... 1

SUMMARY OF SIGNIFICANT FINDINGS 3

COMPANY HISTORY 3

 CAPITALIZATION..... 4

 DIVIDENDS 4

MANAGEMENT AND CONTROL 4

 OFFICERS 5

 CORPORATE RECORDS 5

 INSURANCE HOLDING COMPANY SYSTEM 6

 AGREEMENTS WITH AFFILIATES 7

TERRITORY AND PLAN OF OPERATION 9

REINSURANCE..... 10

FINANCIAL STATEMENTS 15

 STATEMENT OF ASSETS AND LIABILITIES 16

 STATEMENT OF INCOME..... 18

 CAPITAL & SURPLUS ACCOUNT..... 19

 RECONCILIATION OF CAPITAL AND SURPLUS..... 20

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION 20

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 21

SUBSEQUENT EVENTS 21

SUMMARY OF RECOMMENDATIONS 21

April 30, 2026

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 25.039, dated February 24, 2025, an examination has been made of the affairs, financial condition, and management of

ARCH REINSURANCE COMPANY

hereinafter referred to as the Company or ARC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. The Company's administrative office is located at 445 South Street, Morristown, New Jersey.

SCOPE OF EXAMINATION

We have performed our multi-state examination of ARC. The last examination, conducted as of December 31, 2020, by the Delaware Department of Insurance (Department), covered the three-year period from January 1, 2018 through December 31, 2020. This examination covers the four-year period of January 1, 2021 through December 31, 2024.

Our examination was conducted as part of the multi-state coordinated examination of the Arch Group of regulated United States entities, with Missouri as the lead state. All States with domiciled companies in that group participated in the examination. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified

during the examination that, due to their nature, are not included in the examination report but are communicated separately to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLC (PwC). Certain auditor work papers from the 2024 PwC audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of examination emphasis and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

On July 20, 1995, the Company was incorporated in the State of Nebraska as Risk Capital Reinsurance Company. The Company was a 100% subsidiary of Risk Capital Holdings, Inc., which was formed in March 1995. The Company commenced operations on November 6, 1995.

On April 24, 2000, the Company's name was changed to Arch Reinsurance Company. Likewise, the Company's parent changed its name to Arch Capital Group (U.S.) Inc. (Arch US) at the same time. Effective September 15, 2014, the Company re-domesticated from Nebraska to Delaware.

On December 15, 2015, Arch Insurance Group (Arch Insurance) distributed and transferred 100% of the stock of Arch Insurance Company (AIC) to the Company. The Company then transferred 100% of the Arch Insurance shares to its parent, Arch US, by way of a dividend. The purpose of the restructuring was to distribute and transfer Arch Insurance and its non-insurance

subsidiaries from the ownership of the Company and leave AIC and its insurance subsidiaries directly under the Company's ownership.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 1,000,000 shares of common stock with a \$5.00 par value. As of December 31, 2024, the Company had 1,000,000 common shares issued and outstanding, with a total market capitalization of \$5,000,000. Arch US owns all outstanding common shares of the Company. As of December 31, 2024, the Company reported gross paid in and contributed surplus of \$2,287,206,192

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends during the exam period, and none were reported as paid.

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are management by, or under the direction of, its Board.

Directors shall be elected annually by the sole shareholder, and the number of directors is currently fixed by a Board resolution at six. The directors shall hold office until the next Annual Shareholders Meeting or until their successors are elected or appointed. Directors are not required to be Shareholders or residents of Delaware to qualify. Directors duly elected and serving as of December 31, 2024, were as follows:

| <u>Name</u> | <u>Title</u> |
|----------------------|---|
| Jonathan A. Schriber | Chairman of the Board, President |
| Barry E. Golub | Chief Financial Officer |
| Gary Blumsohn | Executive Director – Underwriting and Actuarial |
| Timothy W. Forshay | Treasurer |
| Maamoun J. Rajeh | Chairman and CEO of Arch Worldwide |
| Vincent Laurenzano | Insurance Finance Consultant, Stroock & Stroock & Lavan |

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require the election of a President, Secretary, and Treasurer. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2024, were as follows:

| <u>Name</u> | <u>Title</u> |
|-----------------------|-------------------------|
| Johnathan A. Schriber | President |
| Barry Golub | Chief Financial Officer |
| Katherine M. Dailey | Secretary |

Corporate Records

The recorded minutes of the shareholders and the Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and the approval of Company transactions and events, including investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regard to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

Committees of the Board

The Company has an Investment Committee, which meets quarterly to review the Company's investments and investment guidelines. As of December 31, 2024, the Investment Committee consisted of the following three directors: Jonathan A. Schriber, Barry E. Golub and Gary Blumsohn.

The Audit Committee (AC) for Arch Capital Group Limited (Bermuda) (Arch Capital Group) serves as the Company's AC. The AC is composed of the following members: Eileen Mallesch (Chair), Laurie S. Goodman, Eugene S. Sunshine, Moria Kilcoyne and Francis Ebong. Three of the five AC members are considered financial experts; all are considered independent.

Insurance Holding Company System

The Company is a member of an insurance holding company system known generally as Arch Capital Group, as defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code. As noted above, the Company is a wholly owned subsidiary of Arch US which is a wholly owned subsidiary of Arch Reinsurance Ltd., whose ultimate parent is Arch Capital Group.

An abbreviated organizational chart of the Arch Capital Group holding company system as of December 31, 2024, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

| <u>Company Name</u> | <u>NAIC Number</u> | <u>State of Domicile</u> |
|--|------------------------|----------------------------------|
| Arch Capital Group Ltd. (Bermuda) (Arch Capital Group) | | |
| Arch Reinsurance Ltd. (Bermuda) (Arch Bermuda) | | |
| Arch Financial Holdings Europe I Limited (Ireland)(90%) | | |
| Arch Reinsurance Europe Underwriting Designated Activity Co. (Ireland)(10%) | | |
| Arch Capital Group (U.S.) (Arch U.S.) | | DE |
| Arch Reinsurance Company (ARC) | 10348 | DE |
| Arch Insurance Company (AIC) | 11150 | MO |
| Arch Specialty Insurance Company | 21199 | MO |
| Arch Property Casualty Insurance Company | 10946 | MO |
| Arch Indemnity Insurance Company | 30830 | MO |
| Watford Insurance Company | 25585 | MO |
| Arch U.S. MI Holdings | | |
| United Guaranty Residential Insurance Company | 15873 | NC |
| United Guaranty Residential Insurance Company of North Carolina | 16667 | NC |
| Arch Mortgage Guaranty Company (AMGC) | 18732 | WI |
| Arch Mortgage Assurance Company | 29114 | WI |
| Arch Mortgage Insurance Company | 40266 | WI |
| Arch Life Insurance Company of America | 71455 | KS |

Agreements with Affiliates

The following affiliated agreements within the Company's organizational holding company structure were identified and are in effect as of December 31, 2024.

Investment Management Agreement

Effective February 1, 2015, the Company entered into an investment management agreement with Arch Investment Management Ltd. Under this agreement, the investment manager shall be responsible for investing and reinvesting assets in one or more accounts designated by the Company. This management agreement includes the powers, duties, and responsibilities of all investment and reinvestment. This agreement has been amended twice since its inception.

Service and Support Agreement

Effective November 15, 2024, the company entered into an Second Amended and Restated Support Services Agreement with Arch Global Services Inc. (AGSI). Under the terms of this agreement, the Company will receive the following services from AGSI: IT-related support services (application development, production support, and quality assurance testing) and non-IT-related support services (actuarial, finance, claims operations, premium audit, statistical and compliance reporting), as requested by the Company.

Tax Allocation Agreement

Effective October 31, 2022, the Company entered into a Fifth Amended and Restated Tax Sharing Agreement with Arch US and its subsidiaries. Under this agreement, the Company's taxes are computed as if it filed a separate tax return. In addition, the Company will receive a current benefit for any of its net operating losses or other items utilized in the Arch US consolidated tax return.

Employee Leasing Agreement

Effective October 1, 2016, the Company entered into an Amended and Restated Employee Leasing Agreement with Arch Underwriters Inc. (AUI). Under the terms of this agreement, the Company provides support services to AUI.

Service Agreement Arch Insurance Canada

Effective January 1, 2013, the Company entered into an administrative support service Agreement with its affiliate, Arch Insurance Canada Ltd. (Arch Insurance Canada). Under the terms of the agreement, the Company provides administrative support services to Arch Insurance Canada. Effective January 15, 2015, the Company and Arch Insurance Canada entered into an agreement whereby Arch Insurance Canada provides services to the Company.

Administrative Support Service Agreement with Arch Capital Services

Effective July 1, 2017, the Company entered into an Administrative Support Service Agreement with Arch Capital Services Inc. (ACS). Under the terms of the agreement, ACS agrees to provide various administrative support services to the Company.

Pooled Investment Agreement

Effective January 8, 2024, the Company entered into a Limited Liability Company agreement with its affiliates AIC, Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company, to form an investment subsidiary, Arch US Investments (AUSI). AUSI holds pooled investments for the Company and its affiliates. The Company agreed to an initial contribution and additional contributions not to exceed \$300 million in aggregate.

Credit Facility

As of December 31, 2024, Arch Capital Group and various designated subsidiary borrowers, including the Company (Credit Facility), had a \$425 million secured facility for letters of credit (Secured Facility) and a \$500 million unsecured facility for revolving loans and letters

of credit (Unsecured Facility). Obligations of each borrower under the secured facility for letters of credit are secured by cash and eligible securities of such borrower held in collateral accounts. Commitments under the credit facility may be increased by up to \$1.5 billion but not exceeding that amount. Arch Capital Group has a one-time option to convert any or all outstanding revolving loans of Arch Capital Group and/or Arch US to term loans with the same terms as the revolving loans, except that any prepayments may not be reborrowed. Borrowings on revolving loans may be made by Arch Capital Group and the Company is at a variable rate based on the Secured Overnight Financing Rate. Secured letters of credit are available for issuance on behalf of Arch Capital Group's subsidiaries. Arch Capital guarantees the obligations of Arch US and Arch US MI Holdings Inc. The Credit Facility and related documents are structured so that each party requesting a letter of credit or borrowing does so only for its own obligations.

The Credit Facility contains certain restrictive covenants customary for facilities of this type, including restrictions on indebtedness, consolidated tangible net worth, minimum shareholders' equity levels, and minimum financial strength ratings. As of December 31, 2024, Arch Capital Group is in compliance with all covenants contained in the Credit Facility.

As of December 31, 2024, the Secured Facility had \$275 million in letters of credit outstanding and \$150 million of remaining capacity, and the Unsecured Facility had no credit outstanding and \$500 million of remaining capacity.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, the Company is licensed and/or accredited to transact business in all fifty states, the District of Columbia, Puerto Rico and Guam. In addition, the Company is licensed federally in Canada and in the Canadian Provinces of Ontario and Quebec.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2020, and the prior examination date of December 31, 2024:

| | <u>2020</u> | <u>2024</u> |
|------------------------|-----------------------|-------------------------|
| Gross Premiums written | \$ 873,278,988 | \$ 2,469,454,128 |
| Ceded premiums written | <u>163,756,665</u> | <u>297,616,462</u> |
| Net premiums written | <u>\$ 709,522,323</u> | <u>\$ 2,171,837,666</u> |

Assumed Reinsurance Summary 2024

| | | |
|--|----------------------|-------------------------|
| Affiliates | \$ 4,359,537 | |
| Non affiliates | <u>631,041,552</u> | |
| Total Facultative | | \$ 635,401,089 |
| | | |
| Affiliates | \$ 672,900 | |
| Non affiliates | <u>182,207,092</u> | |
| Total Canadian Branch | | 182,879,992 |
| | | |
| Affiliates | \$ 2,001,032 | |
| Non Affiliates | 4,353,684 | |
| Non affiliates | <u>1,644,818,331</u> | |
| Total Treaty | | <u>1,651,173,047</u> |
| Total Assumed premium Affilaites | \$ 7,033,469 | |
| Total Assumed premium written non affiliates | <u>2,462,420,659</u> | |
| Total Assumed premiums written | | <u>\$ 2,469,454,128</u> |

Ceded Summary 2024

| | | |
|----------------------------------|--------------------|-----------------------|
| AIC - Affiliate | \$ 509,000 | |
| Non Affiliate | 25,202,046 | |
| Somers Re - Affiliate | <u>20,517,269</u> | |
| Total Facultative | | \$ 46,228,315 |
| Canadian Branch - non affiliates | \$ 4,179,823 | |
| US - non affiliates | <u>72,793,073</u> | |
| Total treaty non affiliates | | 76,972,896 |
| Canadian Branch - ARL | \$ 142,960,133 | |
| Mortgage - ARL | 5,083,771 | |
| Somers Re | <u>26,371,347</u> | |
| Total Ceded affiliates -treaty | | <u>174,415,251</u> |
| Total cede affilaite | \$ 195,441,520 | |
| Total Ceded non -affiliates | <u>102,174,942</u> | |
| Total Ceded Premium written | | <u>\$ 297,616,462</u> |

Assumed Reinsurance – Affiliates:

Effective January 1, 2015, the Company entered into a quota share reinsurance agreement with AMGC. During the period under examination, this agreement specified that the Company would assume from AMGC a 50% quota share percentage on residential lenders' mortgage guarantee insurance policies or certificates issued on or after the effective date. The parties agreed to terminate and commute this agreement effective July 1, 2025.

Effective September 1, 2016, the Company entered into a quota share reinsurance agreement with Watford Specialty. This agreement specifies that the Company has the ability to elect specific ceding percentage participation at the policy level of no more than 50% and no less than 15%.

Assumed Reinsurance – Non-Affiliates:

The Company states that its strategy is to capitalize on its financial capacity, experienced management team, and operational flexibility to offer multiple products. It writes both treaty and facultative business and focuses primarily on the following areas:

- **Casualty:** provides coverage to ceding companies on third-party liability and workers' compensation exposures from ceding company clients, primarily on a treaty basis. Exposures include, among others, executive assurance, professional liability, workers' compensation, excess and umbrella liability, excess motor, and healthcare business.
- **Marine and aviation:** provides coverage for energy, hull, cargo, specie liability, transit, and aviation business, including airline and general aviation risks.
- **Other specialty:** provides coverage to ceding company clients for proportional motor and other lines, including surety, workers' compensation catastrophe, agriculture and cyber.
- **Property catastrophe:** provides protection for the most catastrophic losses that are covered in the underlying policies written by reinsureds, including hurricane, earthquake, flood, tornado, hail, and fire, and coverage for other perils on a case-by-case basis. Property catastrophe reinsurance provides coverage on an excess of loss basis when aggregate losses and loss adjustment expense from a single occurrence of a covered peril exceed the retention specified in the contract.
- **Property excluding property catastrophe:** provides coverage for both personal lines and commercial property exposures and principally covers buildings, structures, equipment, and contents. The primary perils in this business include fire, explosion, collapse, riot, vandalism, wind, tornado, flood, and earthquake. Business is assumed on both a proportional and an excess of loss basis. In addition, facultative business is written, which focuses on commercial property risks on an excess of loss basis.
- **Other:** includes reinsurance business on both a proportional and non-proportional basis, casualty clash business, and, in limited instances, non-traditional business, which is intended to provide insurers with risk management solutions that complement traditional reinsurance.

Ceded Reinsurance – Affiliates:

Effective January 1, 2021, the Company entered into an Amended and Restated Quota Share Retrocession Agreement with Watford Re Ltd., now known as Somers Re Ltd. (Somers), an affiliated multi-line Bermuda reinsurance company. The agreement specifies that the Company

will cede to Somers a ceded percentage equal to or less than 80% of the Company's gross liability that may accrue to the Company. The decision to cede any underlying contract shall be at the Company's discretion.

Effective January 1, 2015, the prior quota share agreements between the Company and Arch Reinsurance Limited (ARL) were superseded by two new quota share agreements for all new and renewed contracts.

The first of these two agreements covers contracts issued or renewed in the Company's United States offices (the U.S. Agreement) during the term of the agreement or issued and/or renewed prior to the term of the U.S. Agreement with an effective date of inception on or after January 1, 2015. Under the U.S. Agreement, the Company cedes 80% of its net liability under all contracts defined as Personal Accident, Workers' Compensation Catastrophe, Casualty Clash – High Layer, Casualty Clash-Low Layer, Mortgage Reinsurance, and contracts for which the gross estimated ultimate premium, where the Company's share is equal to or greater than \$25 million. All other lines are ceded at 50%. The agreement limits any one loss occurrence to \$60 million.

The second agreement of the two agreements covers contracts issued or renewed by the Company's Canadian Branch (the Canadian Agreement) issued and/or renewed by the Company during the term of the Canadian Agreement or issued and/or renewed prior to the term of the Canadian Agreement with an effective date of inception on or after January 1, 2015. During the period covered by the examination, under the Canadian Agreement, the Company ceded 80% of its net liability under all contracts subject to a limit of \$275 million on any loss occurrence.

Effective January 1, 2018, the Company endorsed to cancel outright the prior quota share Agreements with ARL and endorsed to end the U.S. Agreement with ARL for underwriting years 2017 and prior, with losses occurring on or after January 1, 2018, for all lines of business with the

exception of Mortgage Reinsurance, which remains at an 80% quota share.

Effective December 31, 2018, the Company entered into a Multi-Line Loss Portfolio Transfer Reinsurance Agreement with ARL. Under the agreement, the Company cedes a 70% quota share of its net retained liability for losses occurring on or prior to December 31, 2018.

Ceded Reinsurance – Non-Affiliates

Property

In 2024, a retrocession was placed through a program referred to as Top Up/Top Up Plus for the U.S. only Catastrophe Excess of Loss portfolio (Top Up). Top Up consists of several retrocession agreements, each covering a quota share percentage of qualifying layers. In addition to Top Up, the Company also has in place other property quota share reinsurance arrangements.

Specialty

The Company has in place an aviation excess of loss retrocession cover, and in 2024, the Company also placed a quota share retrocession for its surety business.

Workers' Compensation Catastrophic

The Company continues to participate on the group-wide Workers Compensation and Personal Accident Catastrophe retrocession, which renewed January 1, 2024 with the following structure: \$5 million in excess of \$5 million, \$10 million in excess of \$10 million, \$35 million in excess of \$20 million, \$5 million in excess of \$55 million and \$10 million in excess of \$60 million.

Casualty Facultative

In 2024, the Company ceded 10% to Somers and another 15% to American Family Re, both on a quota share basis across the entire casualty facultative portfolio.

Property Facultative

A Facultative Property Variable Cessions Reinsurance Contract effective December 15, 2023 was issued by the Company, including its Canadian Branch, and Arch Reinsurance Europe Underwriting DAC for business underwritten by their property facultative divisions. This cover

is obligatory for all limits above the Company's 30 million net position. Still, it can be accessed in a non-obligatory fashion in cases to support capacity when the Company offers less than 30 million.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2024
- Statement of Income for the year ended December 31, 2024
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2020 to December 31, 2024

Statement of Assets and Liabilities
As of December 31, 2024

| | Assets | Non admitted Assets | Net Admitted Assets |
|---|-----------------------------|--------------------------|-----------------------------|
| Bonds | \$ 2,818,083,201 | \$ - | \$ 2,818,083,201 |
| Preferred stocks | 6,940,170 | | 6,940,170 |
| Common stocks | 2,937,295,667 | | 2,937,295,667 |
| Mortgage Loans First liens | 165,644,237 | | 165,644,237 |
| Mortgage Loans Other than first liens | 4,691,384 | | 4,691,384 |
| Cash | 20,451,416 | | 20,451,416 |
| Cash Equivalents | 118,497,485 | | 118,497,485 |
| Short-term Investments | 91,469,928 | | 91,469,928 |
| Other invested assets | 180,948,871 | | 180,948,871 |
| Receivables for securities | 981,697 | | 981,697 |
| Subtotals, cash and invested assets | <u>\$ 6,345,004,056</u> | <u>\$ -</u> | <u>\$ 6,345,004,056</u> |
| Investment income due and accrued | 33,477,097 | | 33,477,097 |
| Uncollected premiums and agents' balances in the course of collection | 11,356,575 | 1,814,358 | 9,542,217 |
| Deferred Premiums, Agents' Balance booked but not due | 739,599,612 | | 739,599,612 |
| Accrued retrospective premiums | | | - |
| Amounts recoverable from reinsurers | 43,982,592 | | 43,982,592 |
| Funds held by or deposited with reinsured companies | 120,958,188 | | 120,958,188 |
| Current federal and foreign income tax recoverable and interest thereon | 10,126,424 | | 10,126,424 |
| Net deferred tax asset | 75,936,916 | 6,726,025 | 69,210,891 |
| Electronic data processing equipment and software | 448,347 | 115,747 | 332,600 |
| Furniture and equipment | 1,079,431 | 1,079,431 | - |
| Net adjustment in assets and liabilities due to foreign exchange | 6,489,337 | | 6,489,337 |
| Aggregate write-in for other than invested assets | 5,191,678 | 1,377,454 | 3,814,224 |
| Totals | <u><u>7,393,650,253</u></u> | <u><u>11,113,015</u></u> | <u><u>7,382,537,238</u></u> |

Arch Reinsurance Company

| | | <u>Notes</u> |
|---|--------------------------------|--------------|
| Losses | \$ 1,983,322,931 | 1 |
| Reinsurance payable on paid losses and LAE | 32,863,965 | |
| Loss adjustment expenses | 103,826,818 | 1 |
| Commissions payable, contingent commissions | | |
| Other expenses | 52,607,382 | |
| Taxes, licenses and fees | | |
| Current federal and foreign income taxes | | |
| Unearned premiums | 1,096,760,089 | |
| Ceded reinsurance premiums payable | 58,751,297 | |
| Funds held by company under reinsurance treaties | 6,961,054 | |
| Amounts withheld or retained by company for account of others | | |
| Remittances and items not allocated | | |
| Provision for reinsurance | 467,550 | |
| Payable to parent, subsidiaries, and affiliates | 44,030 | |
| Payable for Securities | 41,291,057 | |
| Aggregate write-ins for liabilities | 14,636,573 | |
| Total liabilities | <u>\$ 3,391,532,746</u> | |
| Retroactive reinsurance gain | | |
| Common capital stock | 5,000,000 | |
| Gross paid in and contributed surplus | 2,287,206,192 | |
| Unassigned funds (surplus) | 1,698,798,300 | |
| Surplus as regards policyholders | <u>\$ 3,991,004,492</u> | |
| Totals | <u><u>\$ 7,382,537,238</u></u> | |

Statement of Income
For the Year Ended December 31, 2024

| | |
|---|------------------------------|
| Underwriting Income | |
| Premiums earned | <u>\$ 1,953,938,009</u> |
| Deductions | |
| Losses incurred | \$ 1,016,497,899 |
| Loss adjustment expenses incurred | 58,028,135 |
| Other underwriting expenses incurred | <u>539,736,623</u> |
| Total underwriting deductions | <u>\$ 1,614,262,657</u> |
| Net underwriting gain (loss) | <u>\$ 339,675,352</u> |
| Investment Income | |
| Net investment income earned | \$ 160,454,071 |
| Net realized capital gains or (losses) | <u>(9,103,404)</u> |
| Net investment gain (loss) | <u>\$ 151,350,667</u> |
| Other Income | |
| Net gain (loss) from agents' or premiums balances charged off | \$ - |
| Finance and service charges not included in premiums | - |
| Aggregate write-ins for miscellaneous income | <u>1,941,003</u> |
| Total other income | <u>\$ 1,941,003</u> |
| Net income after dividends to policyholders | \$ 492,967,022 |
| Dividends to policyholders | - |
| Net income, after dividends to policyholders | <u>\$ 492,967,022</u> |
| Federal and foreign income taxes incurred | <u>120,194,686</u> |
| Net income | <u><u>\$ 372,772,336</u></u> |

Capital & Surplus Account
For the Year Ended December 31, 2024

| | |
|---|--------------------------------|
| Surplus as regards policyholders; December 31, 2023 | \$ 3,293,081,836 |
| Net Income | 372,772,337 |
| Change in net unrealized capital gains (losses) | 89,206,706 |
| Change in net unrealized foreign exchange caital gains (losses) | (12,339,752) |
| Change in net deferred income tax | 16,465,734 |
| Change in nonadmitted assets | 1,308,604 |
| Change in provision for reinsurance | 1,015,450 |
| Surplus adjustment: Paid in | 229,493,577 |
| Transfer to capital (Stock Dividend) | - |
| Dividends to stockholders | - |
| Aggregate write-ins for gains and losses in surplus | - |
| Net change in capital and surplus for the year | <u>\$ 697,922,656</u> |
| Capital and surplus; December 31, 2024 | <u><u>\$ 3,991,004,492</u></u> |

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
December 31, 2020 to December 31, 2024

| | | Gross Paid-in and | | |
|------------|-----|----------------------|-------------------------|-------------------------|
| | | Common | Contributed | Unassigned |
| | | <u>Capital Stock</u> | <u>surplus</u> | <u>Surplus</u> |
| | | | | <u>Total</u> |
| 12/31/2020 | | \$ 5,000,000 | \$ 1,139,075,377 | \$ 331,905,302 |
| 12/31/2021 | (3) | | 600,000,000 | |
| 12/31/2021 | (4) | | 5,621,819 | |
| 12/31/2021 | (1) | | | 37,123,366 |
| 12/31/2021 | (2) | | | 56,423,215 |
| 12/31/2022 | (3) | | 300,000,000 | |
| 12/31/2022 | (5) | | 7,702,463 | |
| 12/31/2022 | (1) | | | 23,809,515 |
| 12/31/2022 | (2) | | | 47,142,352 |
| 12/31/2023 | (6) | | 5,312,956 | |
| 12/31/2023 | (1) | | | 222,598,052 |
| 12/31/2023 | (2) | | | 511,367,417 |
| 12/31/2024 | (3) | | 220,000,000 | |
| 12/31/2024 | (7) | | 9,493,577 | |
| 12/31/2024 | (1) | | | 372,772,337 |
| 12/31/2024 | (2) | | | 95,656,742 |
| | | <u>\$ 5,000,000</u> | <u>\$ 2,287,206,192</u> | <u>\$ 1,698,798,298</u> |
| | | | | <u>\$ 3,991,004,490</u> |

(1) Represents net income

(2) Represents change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses),

(3) Capital infusion from parent, sent to Arch Insurance

(4) During 2021, the Company received a total of \$5,621,819 in non-cash contributions from Arch US.

(5) During 2022, the Company received a total of \$7,702,463 in non-cash contributions from Arch -US.

(6) During 2023, the Company received a total of \$5,312,956 in non-cash contributions from Arch -US.

(7) During 2024, the Company received a total of \$9,493,577 in non-cash contributions from Arch -US.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

No changes were made to the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

| | |
|--------------------------|------------------|
| Losses | \$ 1,983,322,931 |
| Loss Adjustment Expenses | \$ 103,826,818 |

The examination liability for the aforementioned captioned items of \$1,983,322,931 and \$103,826,818 are the same as reported by the Company as of December 31, 2024. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

SUBSEQUENT EVENTS

Effective December 31, 2025, ARC and its affiliate Arch Bermuda entered into a Multiline Loss Portfolio Transfer Reinsurance Agreement pursuant to which the Company cedes, and Arch Bermuda accepts a 100% quota share of its net retained liability in respect of certain business written by the Company on or after January 1, 2019, and on or before December 31, 2021. Reserves ceded, and corresponding premiums paid, were approximately \$301 million.

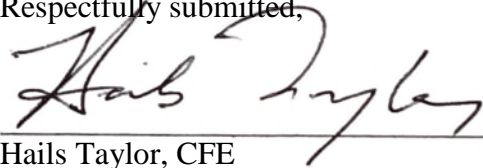
No other subsequent material events were noted.

SUMMARY OF RECOMMENDATIONS

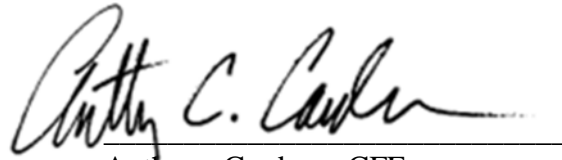
There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PWC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Hails Taylor", written over a horizontal line.

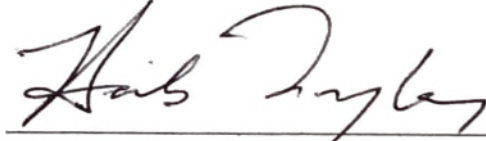
Hails Taylor, CFE
Examiner In-Charge
State of Delaware

A handwritten signature in cursive script, appearing to read "Anthony C. Cardone", written over a horizontal line.

Anthony Cardone, CFE
Supervising Examiner
State of Delaware

Arch Reinsurance Company

I, Hails Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 25.039.



Hails Taylor, CFE