

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

April 27, 2021

Date of Report (Date of earliest event reported)

Arch Capital Group Ltd.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other
jurisdiction of
incorporation or
organization)

001-16209
(Commission File Number)

98-0374481
(I.R.S. Employer
Identification No.)

Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(441) 278-9250

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trading Symbol (s)</u>	<u>Name of each exchange on which registered</u>	
Common shares, \$0.0011 par value per share	ACGL	NASDAQ	Stock Market
Depository shares, each representing a 1/1,000th interest in a 5.25% Series E preferred share	ACGLP	NASDAQ	Stock Market
Depository shares, each representing a 1/1,000th interest in a 5.45% Series F preferred share	ACGLO	NASDAQ	Stock Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 Results of Operations and Financial Condition.

On April 27, 2021, Arch Capital Group Ltd. issued a press release reporting its earnings and the availability of its financial supplement for the quarter ended March 31, 2021. The press release and financial supplement are attached to this Current Report on Form 8-K as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

The information in this Current Report on Form 8-K, including the information set forth in Exhibit 99.1 and Exhibit 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01 Financial Statements and Exhibits.

(d): The following exhibits are being filed herewith.

EXHIBIT NO.	DESCRIPTION
99.1	Press Release dated April 27, 2021 announcing the earnings of Arch Capital Group Ltd. for the quarter ended March 31, 2021
99.2	2021 First Quarter Financial Supplement
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARCH CAPITAL GROUP LTD.

Date: April 27, 2021

By: /s/ François Morin
Name: François Morin
Title: Executive Vice President, Chief Financial Officer and Treasurer



PRESS RELEASE
NASDAQ Symbol: ACGL
For Immediate Release
April 27, 2021

EXHIBIT 99.1
 Arch Capital Group Ltd.
 Waterloo House, Ground Floor
 100 Pitts Bay Road
 Pembroke HM 08 Bermuda

ARCH CAPITAL GROUP LTD. REPORTS 2021 FIRST QUARTER RESULTS

PEMBROKE, BERMUDA--(BUSINESS WIRE)--Arch Capital Group Ltd. (NASDAQ: ACGL) announces its 2021 first quarter results. The results included:

- Net income available to Arch common shareholders of \$427.8 million, or \$1.05 per share, a 13.9% annualized return on average common equity, compared to \$133.7 million, or \$0.32 per share, for the 2020 first quarter;
- After-tax operating income available to Arch common shareholders⁽¹⁾ of \$239.8 million, or \$0.59 per share, a 7.8% annualized return on average common equity, compared to \$189.8 million, or \$0.46 per share, for the 2020 first quarter;
- Pre-tax current accident year catastrophic losses for the Company's insurance and reinsurance segments, net of reinsurance and reinstatement premiums⁽¹⁾ of \$188.3 million, including \$0.6 million of COVID-19 related losses;
- Favorable development in prior year loss reserves, net of related adjustments⁽¹⁾ of \$41.7 million;
- Combined ratio excluding catastrophic activity and prior year development⁽¹⁾ of 81.0%, compared to 84.2% for the 2020 first quarter;
- The percentage of loans in default on U.S. primary mortgage business was 3.86% at March 31, 2021, compared to 4.19% at December 31, 2020;
- Results for the 2021 first quarter reflect a one-time gain of \$74.5 million, or \$0.18 per share, related to the purchase of a 29.5% stake in Coface. Such amount is reflected in income (loss) from operating affiliates and included in after-tax operating income available to Arch common shareholders;
- Total return on investments⁽¹⁾ of -0.18%;
- Book value per common share of \$30.54 at March 31, 2021, a 0.8% increase from December 31, 2020 and a 17.0% increase from March 31, 2020;
- 5.3 million shares repurchased at an aggregate cost of \$179.3 million;
- Regulatory approvals are ongoing for the announced acquisition of Watford Holdings Ltd. Shareholder approval has been obtained. The Company expects the transaction to close in the second quarter of 2021.

All earnings per share amounts discussed in this release are on a diluted basis. The following table summarizes the Company's underwriting results, both (i) on a consolidated basis and (ii) on a consolidated basis excluding the 'other' segment (*i.e.*, results of Watford):

(U.S. dollars in thousands)

	Consolidated			Consolidated Excluding 'Other' Segment ⁽¹⁾		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2021	2020	% Change	2021	2020	% Change
Gross premiums written	\$ 3,397,206	\$ 2,832,830	19.9	\$ 3,277,293	\$ 2,698,537	21.4
Net premiums written	2,508,457	2,137,246	17.4	2,329,146	1,950,546	19.4
Net premiums earned	1,948,422	1,744,444	11.7	1,800,691	1,604,405	12.2
Underwriting income	185,918	154,050	20.7	198,997	160,060	24.3
Underwriting Ratios			% Point Change			% Point Change
Loss ratio	61.7 %	63.9 %	(2.2)	60.2 %	62.6 %	(2.4)
Underwriting expense ratio	29.0 %	27.6 %	1.4	29.0 %	27.9 %	1.1
Combined ratio	90.7 %	91.5 %	(0.8)	89.2 %	90.5 %	(1.3)
Combined ratio excluding catastrophic activity and prior year development ⁽¹⁾				81.0 %	84.2 %	(3.2)

(1) Presentation represents a "non-GAAP" financial measure as defined in Regulation G. Such presentation excludes the results of Watford Holdings Ltd. ("Watford"). Pursuant to GAAP, the Company consolidates the results of Watford in its financial statements, although it only owns approximately 10% of Watford's outstanding common equity as of March 31, 2021. See 'Comments on Regulation G' for further details.

The following table summarizes the Company's consolidated financial data, including a reconciliation of net income or loss available to Arch common shareholders to after-tax operating income or loss available to Arch common shareholders and related diluted per share results:

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

	Three Months Ended	
	March 31,	
	2021	2020
Net income available to Arch common shareholders	\$ 427,753	\$ 133,714
Net realized (gains) losses	(105,551)	109,364
Equity in net (income) loss of investment funds accounted for using the equity method	(71,686)	4,209
Net foreign exchange (gains) losses	(21,332)	(64,491)
Transaction costs and other	1,274	2,595
Income tax expense (benefit) (1)	9,311	4,365
After-tax operating income available to Arch common shareholders	<u>\$ 239,769</u>	<u>\$ 189,756</u>
Diluted per common share results:		
Net income available to Arch common shareholders	\$ 1.05	\$ 0.32
Net realized (gains) losses	(0.25)	0.27
Equity in net (income) loss of investment funds accounted for using the equity method	(0.18)	0.01
Net foreign exchange (gains) losses	(0.05)	(0.16)
Transaction costs and other	0.00	0.01
Income tax expense (benefit) (1)	0.02	0.01
After-tax operating income available to Arch common shareholders	<u>\$ 0.59</u>	<u>\$ 0.46</u>
Weighted average common shares and common share equivalents outstanding — diluted	409,223,253	414,033,570
Beginning common shareholders' equity	\$ 12,325,886	\$ 10,717,371
Ending common shareholders' equity	<u>12,316,472</u>	<u>10,587,244</u>
Average common shareholders' equity	<u>\$ 12,321,179</u>	<u>\$ 10,652,308</u>
Annualized return on average common equity	13.9 %	5.0 %
Annualized operating return on average common equity	7.8 %	7.1 %

(1) Income tax expense (benefit) on net realized gains or losses, equity in net income (loss) of investment funds accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other reflects the relative mix reported by jurisdiction and the varying tax rates in each jurisdiction.

Each line item in the table above reflects the impact of the Company's ownership of Watford's outstanding common equity. See 'Comments on Regulation G' for a discussion of non-GAAP financial measures.

Segment Information

The following section provides analysis on the Company's 2021 first quarter performance by operating segment. For additional details regarding the Company's operating segments, please refer to the Company's Financial Supplement dated March 31, 2021. The Company's segment information includes the use of underwriting income (loss) and a combined ratio excluding catastrophic activity and prior year development. Such items are non-GAAP financial measures (see 'Comments on Regulation G' for further details).

Insurance Segment

(U.S. dollars in thousands)	Three Months Ended March 31,		
	2021	2020	% Change
Gross premiums written	\$ 1,415,886	\$ 1,207,645	17.2
Net premiums written	994,839	828,748	20.0
Net premiums earned	819,474	715,919	14.5
Underwriting income (loss)	\$ 18,392	\$ (28,175)	165.3
Underwriting Ratios			% Point Change
Loss ratio	65.4 %	70.8 %	(5.4)
Underwriting expense ratio	32.3 %	33.1 %	(0.8)
Combined ratio	97.7 %	103.9 %	(6.2)
Catastrophic activity and prior year development:			
Current accident year catastrophic events, net of reinsurance and reinstatement premiums	5.1 %	6.9 %	(1.8)
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(0.7)%	(0.1)%	(0.6)
Combined ratio excluding catastrophic activity and prior year development (1)	93.3 %	97.1 %	(3.8)

(1) See 'Comments on Regulation G' for further discussion.

Gross premiums written by the insurance segment in the 2021 first quarter were 17.2% higher than in the 2020 first quarter while net premiums written were 20.0% higher than in the 2020 first quarter. The higher level of net premiums written reflected increases across most lines of business, due in part to rate increases, new business opportunities and growth in existing accounts, partially offset by a decrease in travel business, reflecting the ongoing impact of the COVID-19 global pandemic. Net premiums earned in the 2021 first quarter were 14.5% higher than in the 2020 first quarter, and reflect changes in net premiums written over the previous five quarters.

The 2021 first quarter loss ratio reflected 5.1 points of current year catastrophic activity, primarily from winter storms Uri and Viola, compared to 6.9 points in the 2020 first quarter. Estimated net favorable development of prior year loss reserves, before related adjustments, reduced the loss ratio by 0.5 points in the 2021 first quarter, compared to 0.2 points in the 2020 first quarter. The 2021 first quarter loss ratio also reflected the effect of rate increases, changes in mix of business and a lower level of attritional losses compared to the 2020 first quarter.

The underwriting expense ratio was 32.3% in the 2021 first quarter, compared to 33.1% in the 2020 first quarter, with the decrease primarily due to growth in net premiums earned.

Reinsurance Segment

(U.S. dollars in thousands)	Three Months Ended March 31,		
	2021	2020	% Change
Gross premiums written	\$ 1,471,060	\$ 1,122,519	31.0
Net premiums written	999,112	797,180	25.3
Net premiums earned	644,900	543,460	18.7
Other underwriting income (loss)	(1,198)	2,120	(156.5)
Underwriting income (loss)	\$ (19,707)	\$ (9,392)	(109.8)
Underwriting Ratios			% Point Change
Loss ratio	75.2 %	79.1 %	(3.9)
Underwriting expense ratio	27.7 %	22.9 %	4.8
Combined ratio	102.9 %	102.0 %	0.9
Catastrophic activity and prior year development:			
Current accident year catastrophic events, net of reinsurance and reinstatement premiums	22.7 %	12.7 %	10.0
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(3.8)%	(2.0)%	(1.8)
Combined ratio excluding catastrophic activity and prior year development (1)	84.0 %	91.3 %	(7.3)

(1) See 'Comments on Regulation G' for further discussion.

For comparability, premiums written for the reinsurance segment in the 2020 first quarter were affected by the presence of an \$88 million loss portfolio transfer contract, written and fully earned in the period in the other specialty line of business. Absent this transaction, gross and net premiums written would have been higher than in the 2020 first quarter by 42.2% and 40.8%, respectively. The growth in net premiums written reflected increases in most lines of business, mainly due to rate increases and new business. Excluding the loss portfolio transfer contract, net premiums earned by the reinsurance segment in the 2021 first quarter were 41.5% higher than in the 2020 first quarter, and reflect changes in net premiums written over the previous five quarters.

The 2021 first quarter loss ratio reflected 24.7 points of current year catastrophic activity, including winter storms Uri and Viola as well as other minor global events. The corresponding impact on the 2020 first quarter results was 12.7 points. Estimated net favorable development of prior year loss reserves, before related adjustments, reduced the loss ratio by 4.2 points in the 2021 first quarter, compared to 2.1 points in the 2020 first quarter. The 2021 first quarter loss ratio also reflected the effect of rate increases, changes in the mix of business and a lower level of attritional losses compared to the 2020 first quarter. Absent the loss portfolio transfer contract noted above, the 2020 first quarter loss ratio would have been 3.9 points lower than reported.

The underwriting expense ratio was 27.7% in the 2021 first quarter, compared to 22.9% in the 2020 first quarter. The 2020 first quarter ratio reflected a 4.4 point benefit related to the loss portfolio transfer contract noted above and changes in mix of business.

Mortgage Segment

(U.S. dollars in thousands)	Three Months Ended March 31,		
	2021	2020	% Change
Gross premiums written	\$ 391,246	\$ 368,945	6.0
Net premiums written	335,195	324,618	3.3
Net premiums earned	336,317	345,026	(2.5)
Other underwriting income	6,897	4,599	50.0
Underwriting income	\$ 200,312	\$ 197,627	1.4
Underwriting Ratios			% Point Change
Loss ratio	18.9 %	19.6 %	(0.7)
Underwriting expense ratio	23.5 %	24.5 %	(1.0)
Combined ratio	42.4 %	44.1 %	(1.7)
Prior year development:			
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(3.4)%	(1.8)%	(1.6)
Combined ratio excluding prior year development (1)	45.8 %	45.9 %	(0.1)

(1) See 'Comments on Regulation G' for further discussion.

Gross premiums written by the mortgage segment in the 2021 first quarter were 6.0% higher than in the 2020 first quarter, while net premiums written were 3.3% higher. The growth in net premiums written primarily reflected growth in Australian single premium mortgage insurance, partially offset by a lower level of U.S. primary mortgage insurance in force on monthly premium policies. Net premiums earned in the 2021 first quarter were 2.5% lower than in the 2020 first quarter, reflecting the decrease in U.S. primary mortgage insurance in force, partially offset by an increase in earnings from Australian single premium policy terminations.

U.S. primary mortgage insurance business generated \$27.0 billion of new insurance written ("NIW") in the 2021 first quarter, compared to \$16.8 billion in the 2020 first quarter, with the growth primarily the result of the significant increase in mortgage originations in the market. Monthly premium policies contributed 92.5% of NIW in the 2021 first quarter, compared to 93.5% in the 2020 first quarter.

The 2021 first quarter loss ratio reflected continued elevated delinquency rates, primarily due to financial stress related to the COVID-19 pandemic. The percentage of loans in default on U.S. primary mortgage insurance business was 3.86% at March 31, 2021, compared to 4.19% at December 31, 2020, which reflects continued improvement in new delinquencies received. Estimated net favorable development in prior year loss reserves, before related adjustments, reduced the 2021 first quarter loss ratio by 3.2 points, compared to 1.8 points in the 2020 first quarter.

The underwriting expense ratio was 23.5% in the 2021 first quarter, compared to 24.5% in the 2020 first quarter, with the decrease reflecting lower acquisition expenses on U.S. primary mortgage insurance and to a lesser extent international business.

Corporate and Non-Underwriting

Corporate and non-underwriting results include net investment income, other income (loss), corporate expenses, transaction costs and other, amortization of intangible assets, interest expense, items related to the Company's non-cumulative preferred shares, net realized gains or losses (which includes changes in the allowance for credit losses on financial assets and net impairment losses recognized in earnings), equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses, income or loss from operating affiliates and income taxes. Such amounts exclude the results of the 'other' segment.

Pre-tax net investment income for the 2021 first quarter was \$0.19 per share, or \$78.7 million, compared to \$0.27 per share, or \$113.0 million, for the 2020 first quarter. The annualized pre-tax investment income yield was 1.31% for the 2021 first quarter, compared to 2.20% for the 2020 first quarter, with the decrease primarily due to lower yields available in the financial markets. Total return, a non-GAAP measure, was -0.18% for the 2021 first quarter, compared to -0.86% for the 2020 first quarter. See 'Comments on Regulation G' for a discussion of non-GAAP financial measures.

Interest expense for the 2021 first quarter was \$34.2 million, compared to \$25.2 million for the 2020 first quarter. The higher level of interest expense mainly resulted from the issuance of \$1.0 billion of 3.635% senior notes in June 2020.

On a pre-tax basis, net foreign exchange gains for the 2021 first quarter were \$21.5 million, compared to net foreign exchange gains for the 2020 first quarter of \$63.3 million. For both periods, such amounts were primarily unrealized and resulted from the effects of revaluing the Company's net insurance liabilities required to be settled in foreign currencies at each balance sheet date. Changes in the value of available-for-sale investments held in foreign currencies due to foreign currency rate movements are reflected as a direct increase or decrease to shareholders' equity and are not included in the consolidated statements of income. Although the Company generally attempts to match the currency of its projected liabilities with investments in the same currencies, the Company may elect to over or underweight one or more currencies from time to time, which could increase the Company's exposure to foreign currency fluctuations and increase the volatility of the Company's shareholders' equity.

The Company's effective tax rate on income before income taxes (based on the Company's estimated annual effective tax rate) was 8.1% for the 2021 first quarter, compared to 16.2% for the 2020 first quarter. The Company's effective tax rate on pre-tax operating income available to Arch common shareholders was 10.6% for the 2021 first quarter, consistent with 10.5% for the 2020 first quarter. The Company's effective tax rate may fluctuate from period to period based upon the relative mix of income or loss reported by jurisdiction, the level of catastrophic loss activity incurred, and the varying tax rates in each jurisdiction.

During the 2021 first quarter, the Company changed its presentation of 'income (loss) from operating affiliates' on its consolidated statements of income for all periods presented to reclass such item from 'other income (loss)'. The Company also changed its presentation of 'investment in operating affiliates' on its consolidated balance sheet for all periods presented to reclass such item from 'other assets'. Income from operating affiliates for the 2021 first quarter was \$75.5 million, or \$0.18 per share, compared to \$8.5 million, or \$0.02 per share, for the 2020 first quarter. Results for the 2021 first quarter reflected a one-time gain of \$74.5 million realized from the Company's recent acquisition of 29.5% stake in Coface, a global trade credit insurer. As a result of equity method accounting rules, approximately \$36 million of additional gain was deferred and will be recognized generally over the next five years.

Conference Call

The Company will hold a conference call for investors and analysts at 11:00 a.m. Eastern Time on April 28, 2021. A live webcast of this call will be available via the Investors section of the Company's website at <http://www.archcapgroup.com>. A telephone replay of the conference call also will be available beginning on April 28, 2021 at 2:00 p.m. Eastern Time until May 5, 2021 at midnight Eastern Time. To access the replay, domestic callers should dial 855-859-2056, and international callers should dial 404-537-3406 (passcode 8299092 for all callers).

Please refer to the Company's Financial Supplement dated March 31, 2021, which is available via the Investors section of the Company's website at <http://www.archcapgroup.com>. The Financial Supplement provides additional detail regarding the financial performance of the Company. From time to time, the Company posts additional financial information and presentations to its website, including information with respect to its subsidiaries. Investors and other recipients of this information are encouraged to check the Company's website regularly for additional information regarding the Company.

Arch Capital Group Ltd., a publicly listed Bermuda exempted company with approximately \$15.8 billion in capital at March 31, 2021, provides insurance, reinsurance and mortgage insurance on a worldwide basis through its wholly owned subsidiaries.

Comments on Regulation G

Throughout this release, the Company presents its operations in the way it believes will be the most meaningful and useful to investors, analysts, rating agencies and others who use the Company's financial information in evaluating the performance of the Company and that investors and such other persons benefit from having a consistent basis for comparison between quarters and for comparison with other companies within the industry. These measures may not, however, be comparable to similarly titled measures used by companies outside of the insurance industry. Investors are cautioned not to place undue reliance on these non-GAAP financial measures in assessing the Company's overall financial performance.

This presentation includes the use of "after-tax operating income or loss available to Arch common shareholders," which is defined as net income available to Arch common shareholders, excluding net realized gains or losses (which includes changes in the allowance for credit losses on financial assets and net impairment losses recognized in earnings), equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other, net of income taxes, and the use of annualized operating return on average common equity. The presentation of after-tax operating income available to Arch common shareholders and annualized operating return on average common equity are non-GAAP financial measures as defined in Regulation G. The reconciliation of such measures to net income available to Arch common shareholders and annualized return on average common equity (the most directly comparable GAAP financial measures) in accordance with Regulation G is included on page 2 of this release.

The Company believes that net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other in any particular period are not indicative of the performance of, or trends in, the Company's business performance. Although net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses are an integral part of the Company's operations, the decision to realize investment gains or losses, the recognition of the change in the carrying value of investments accounted for using the fair value option in net realized gains or losses, the recognition of equity in net income or loss of investment funds accounted for using the equity method and the recognition of foreign exchange gains or losses are independent of the insurance underwriting process and result, in large part, from general economic and financial market conditions. Furthermore, certain users of the Company's financial information believe that, for many companies, the timing of the realization of investment gains or losses is largely opportunistic. In addition, changes in the allowance for credit losses and net impairment losses recognized in earnings on the Company's investments represent other-than-temporary declines in expected recovery values on securities without actual realization. The use of the equity method on certain of the Company's investments in certain funds that invest in fixed maturity securities is driven by the ownership structure of such funds (either limited partnerships or limited liability companies). In applying the equity method, these investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of the net income or loss of the funds (which include changes in the fair value of the underlying securities in the funds). This method of accounting is different from the way the Company accounts for its other fixed maturity securities and the timing of the recognition of equity in net income or loss of investment funds

accounted for using the equity method may differ from gains or losses in the future upon sale or maturity of such investments. Transaction costs and other include advisory, financing, legal, severance, incentive compensation and other costs related to acquisitions and Watford's non-recurring listing expenses. The Company believes that transaction costs and other, due to their non-recurring nature, are not indicative of the performance of, or trends in, the Company's business performance. Due to these reasons, the Company excludes net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other from the calculation of after-tax operating income or loss available to Arch common shareholders.

The Company believes that showing net income available to Arch common shareholders exclusive of the items referred to above reflects the underlying fundamentals of the Company's business since the Company evaluates the performance of and manages its business to produce an underwriting profit. In addition to presenting net income available to Arch common shareholders, the Company believes that this presentation enables investors and other users of the Company's financial information to analyze the Company's performance in a manner similar to how the Company's management analyzes performance. The Company also believes that this measure follows industry practice and, therefore, allows the users of the Company's financial information to compare the Company's performance with its industry peer group. The Company believes that the equity analysts and certain rating agencies which follow the Company and the insurance industry as a whole generally exclude these items from their analyses for the same reasons.

The Company's segment information includes the presentation of consolidated underwriting income or loss and a subtotal of underwriting income or loss before the contribution from the 'other' segment. Such measures represent the pre-tax profitability of its underwriting operations and include net premiums earned plus other underwriting income, less losses and loss adjustment expenses, acquisition expenses and other operating expenses. Other operating expenses include those operating expenses that are incremental and/or directly attributable to the Company's individual underwriting operations. Underwriting income or loss does not incorporate items included in the Company's corporate (non-underwriting) segment. While these measures are presented in the Segment Information footnote to the Company's Consolidated Financial Statements, they are considered non-GAAP financial measures when presented elsewhere on a consolidated basis. The reconciliations of underwriting income or loss to income before income taxes (the most directly comparable GAAP financial measure) on a consolidated basis and a subtotal before the contribution from the 'other' segment, in accordance with Regulation G, is shown on the following pages.

Management measures segment performance for its three underwriting segments based on underwriting income or loss. The Company does not manage its assets by underwriting segment and, accordingly, investment income and other non-underwriting related items are not allocated to each underwriting segment. As noted earlier, the 'other' segment includes the results of Watford. Watford has its own management and board of directors that is responsible for its own results and profitability. For the 'other' segment, performance is measured based on net income or loss. The Company does not guarantee or provide credit support for Watford, and the Company's financial exposure to Watford is limited to its investment in Watford's senior notes, common and preferred shares and counterparty credit risk (mitigated by collateral) arising from reinsurance transactions.

Along with consolidated underwriting income, the Company provides a subtotal of underwriting income or loss before the contribution from the 'other' segment and believes that this presentation enables investors and other users of the Company's financial information to analyze the Company's underwriting performance in a manner similar to how the Company's management analyzes performance.

In addition, the Company's segment information includes the use of a combined ratio excluding catastrophic activity and prior year development, for the insurance and reinsurance segments, and a combined ratio excluding prior year development, for the mortgage segment. These ratios are non-GAAP financial measures as defined in Regulation G. The reconciliation of such measures to the combined ratio (the most directly comparable GAAP financial measure) in accordance with Regulation G are shown on the individual segment pages. The Company's management utilizes the adjusted combined ratios excluding current accident year catastrophic events and favorable or adverse development in prior year loss reserves in its analysis of the underwriting performance of each of its underwriting segments.

Total return on investments includes investment income, equity in net income or loss of investment funds accounted for using the equity method, net realized gains and losses (excluding changes in the allowance for credit losses on non-investment related financial assets) and the change in unrealized gains and losses generated by Arch's investment portfolio. Total return is calculated on a pre-tax basis and before investment expenses, excludes amounts reflected in the 'other' segment, and reflects the effect of financial market conditions along with foreign currency fluctuations. Management uses

total return on investments as a key measure of the return generated to Arch common shareholders, and compares the return generated by the Company's investment portfolio against benchmark returns during the periods presented.

The following tables summarize the Company's results by segment for the 2021 first quarter and 2020 first quarter and a reconciliation of underwriting income or loss to income or loss before income taxes and net income or loss available to Arch common shareholders:

(U.S. Dollars in thousands)

	Three Months Ended					
	March 31, 2021					
	Insurance	Reinsurance	Mortgage	Sub-total	Other	Total
Gross premiums written (1)	\$ 1,415,886	\$ 1,471,060	\$ 391,246	\$ 3,277,293	\$ 216,523	\$ 3,397,206
Premiums ceded	(421,047)	(471,948)	(56,051)	(948,147)	(37,212)	(888,749)
Net premiums written	994,839	999,112	335,195	2,329,146	179,311	2,508,457
Change in unearned premiums	(175,365)	(354,212)	1,122	(528,455)	(31,580)	(560,035)
Net premiums earned	819,474	644,900	336,317	1,800,691	147,731	1,948,422
Other underwriting income (loss)	—	(1,198)	6,897	5,699	411	6,110
Losses and loss adjustment expenses	(535,747)	(484,870)	(63,689)	(1,084,306)	(118,794)	(1,203,100)
Acquisition expenses	(128,222)	(118,025)	(30,082)	(276,329)	(28,152)	(304,481)
Other operating expenses	(137,113)	(60,514)	(49,131)	(246,758)	(14,275)	(261,033)
Underwriting income (loss)	\$ 18,392	\$ (19,707)	\$ 200,312	198,997	(13,079)	185,918
Net investment income				78,729	20,127	98,856
Net realized gains (losses)				101,336	41,125	142,461
Equity in net income (loss) of investment funds accounted for using the equity method				71,686	—	71,686
Other income (loss)				(1,741)	—	(1,741)
Corporate expenses				(23,468)	—	(23,468)
Transaction costs and other				(1,201)	(715)	(1,916)
Amortization of intangible assets				(14,402)	—	(14,402)
Interest expense				(34,197)	(4,149)	(38,346)
Net foreign exchange gains (losses)				21,505	(1,442)	20,063
Income (loss) before income taxes and income (loss) from operating affiliates				397,244	41,867	439,111
Income tax expense				(38,852)	(8)	(38,860)
Income (loss) from operating affiliates				75,457	—	75,457
Net income (loss)				433,849	41,859	475,708
Dividends attributable to redeemable noncontrolling interests				117	(972)	(855)
Amounts attributable to nonredeemable noncontrolling interests				—	(36,697)	(36,697)
Net income (loss) available to Arch				433,966	4,190	438,156
Preferred dividends				(10,403)	—	(10,403)
Net income (loss) available to Arch common shareholders				\$ 423,563	\$ 4,190	\$ 427,753
Underwriting Ratios						
Loss ratio	65.4 %	75.2 %	18.9 %	60.2 %	80.4 %	61.7 %
Acquisition expense ratio	15.6 %	18.3 %	8.9 %	15.3 %	19.1 %	15.6 %
Other operating expense ratio	16.7 %	9.4 %	14.6 %	13.7 %	9.7 %	13.4 %
Combined ratio	97.7 %	102.9 %	42.4 %	89.2 %	109.2 %	90.7 %
Net premiums written to gross premiums written	70.3 %	67.9 %	85.7 %	71.1 %	82.8 %	73.8 %

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions and are included in the gross premiums written of each segment. 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.

(U.S. Dollars in thousands)

Three Months Ended
March 31, 2020

	Insurance	Reinsurance	Mortgage	Sub-total	Other	Total
Gross premiums written (1)	\$ 1,207,645	\$ 1,122,519	\$ 368,945	\$ 2,698,537	\$ 234,902	\$ 2,832,830
Premiums ceded	(378,897)	(325,339)	(44,327)	(747,991)	(48,202)	(695,584)
Net premiums written	828,748	797,180	324,618	1,950,546	186,700	2,137,246
Change in unearned premiums	(112,829)	(253,720)	20,408	(346,141)	(46,661)	(392,802)
Net premiums earned	715,919	543,460	345,026	1,604,405	140,039	1,744,444
Other underwriting income (loss)	—	2,120	4,599	6,719	133	6,852
Losses and loss adjustment expenses	(507,108)	(430,069)	(67,566)	(1,004,743)	(110,676)	(1,115,419)
Acquisition expenses	(107,337)	(79,606)	(38,536)	(225,479)	(21,804)	(247,283)
Other operating expenses	(129,649)	(45,297)	(45,896)	(220,842)	(13,702)	(234,544)
Underwriting income (loss)	\$ (28,175)	\$ (9,392)	\$ 197,627	160,060	(6,010)	154,050
Net investment income				113,028	32,125	145,153
Net realized gains (losses)				(72,109)	(294,851)	(366,960)
Equity in net income (loss) of investment funds accounted for using the equity method				(4,209)	—	(4,209)
Other income (loss)				32	—	32
Corporate expenses				(18,201)	—	(18,201)
Transaction costs and other				(2,595)	—	(2,595)
Amortization of intangible assets				(16,631)	—	(16,631)
Interest expense				(25,245)	(7,310)	(32,555)
Net foreign exchange gains (losses)				63,307	9,364	72,671
Income (loss) before income taxes and income (loss) from operating affiliates				197,437	(266,682)	(69,245)
Income tax expense				(27,945)	—	(27,945)
Income (loss) from operating affiliates				8,516	—	8,516
Net income (loss)				178,008	(266,682)	(88,674)
Dividends attributable to redeemable noncontrolling interests				(57)	(1,096)	(1,153)
Amounts attributable to nonredeemable noncontrolling interests				—	233,944	233,944
Net income (loss) available to Arch				177,951	(33,834)	144,117
Preferred dividends				(10,403)	—	(10,403)
Net income (loss) available to Arch common shareholders				\$ 167,548	\$ (33,834)	\$ 133,714
Underwriting Ratios						
Loss ratio	70.8 %	79.1 %	19.6 %	62.6 %	79.0 %	63.9 %
Acquisition expense ratio	15.0 %	14.6 %	11.2 %	14.1 %	15.6 %	14.2 %
Other operating expense ratio	18.1 %	8.3 %	13.3 %	13.8 %	9.8 %	13.4 %
Combined ratio	103.9 %	102.0 %	44.1 %	90.5 %	104.4 %	91.5 %
Net premiums written to gross premiums written	68.6 %	71.0 %	88.0 %	72.3 %	79.5 %	75.4 %

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions and are included in the gross premiums written of each segment. 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.

Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (“PSLRA”) provides a “safe harbor” for forward-looking statements. This release or any other written or oral statements made by or on behalf of the Company may include forward-looking statements, which reflect the Company’s current views with respect to future events and financial performance. All statements other than statements of historical fact included in or incorporated by reference in this release are forward-looking statements. Forward-looking statements, for purposes of the PSLRA or otherwise, can generally be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe” or “continue” and similar statements of a future or forward-looking nature or their negative or variations or similar terminology.

Forward-looking statements involve the Company’s current assessment of risks and uncertainties. Actual events and results may differ materially from those expressed or implied in these statements. Important factors that could cause actual events or results to differ materially from those indicated in such statements are discussed below and elsewhere in this release and in the Company’s periodic reports filed with the Securities and Exchange Commission (the “SEC”), and include:

- the Company’s ability to successfully implement its business strategy during “soft” as well as “hard” markets;
- acceptance of the Company’s business strategy, security and financial condition by rating agencies and regulators, as well as by brokers and its insureds and reinsureds;
- the Company’s ability to consummate acquisitions and integrate any businesses it has acquired or may acquire into its existing operations;
- the Company’s ability to maintain or improve its ratings, which may be affected by its ability to raise additional equity or debt financings, by ratings agencies’ existing or new policies and practices, as well as other factors described herein;
- general economic and market conditions (including inflation, interest rates, unemployment, housing prices, foreign currency exchange rates, prevailing credit terms and the depth and duration of a recession, including those resulting from COVID-19) and conditions specific to the reinsurance and insurance markets in which the Company operates;
- competition, including increased competition, on the basis of pricing, capacity (including alternative sources of capital), coverage terms or other factors;
- developments in the world’s financial and capital markets and the Company’s access to such markets;
- the Company’s ability to successfully enhance, integrate and maintain operating procedures (including information technology) to effectively support its current and new business;
- the loss of key personnel;
- accuracy of those estimates and judgments utilized in the preparation of the Company’s financial statements, including those related to revenue recognition, insurance and other reserves, reinsurance recoverables, investment valuations, intangible assets, bad debts, income taxes, contingencies and litigation, and any determination to use the deposit method of accounting;
- greater than expected loss ratios on business written by the Company and adverse development on claim and/or claim expense liabilities related to business written by its insurance and reinsurance subsidiaries;
- the adequacy of the Company’s loss reserves;
- severity and/or frequency of losses;
- greater frequency or severity of unpredictable natural and man-made catastrophic events;
- claims resulting from natural or man-made catastrophic events or severe economic events in the Company’s insurance, reinsurance and mortgage businesses could cause large losses and substantial volatility in the Company’s results of operations;
- the effect of climate change on the Company’s business;
- the effect of contagious diseases (including COVID-19) on the Company’s business;
- acts of terrorism, political unrest and other hostilities or other unforecasted and unpredictable events;
- availability to the Company of reinsurance to manage its gross and net exposures and the cost of such reinsurance;

- the failure of reinsurers, managing general agents, third party administrators or others to meet their obligations to the Company;
- the timing of loss payments being faster or the receipt of reinsurance recoverables being slower than anticipated by the Company;
- the Company's investment performance, including legislative or regulatory developments that may adversely affect the fair value of the Company's investments;
- changes in general economic conditions, including new or continued sovereign debt concerns or downgrades of U.S. securities by credit rating agencies, which could affect the Company's business, financial condition and results of operations;
- changes in the method for determining the London Inter-bank Offered Rate ("LIBOR") and the potential replacement of LIBOR;
- the volatility of the Company's shareholders' equity from foreign currency fluctuations, which could increase due to us not matching portions of the Company's projected liabilities in foreign currencies with investments in the same currencies;
- changes in accounting principles or policies or in the Company's application of such accounting principles or policies;
- changes in the political environment of certain countries in which the Company operates, underwrites business or invests;
- a disruption caused by cyber-attacks or other technology breaches or failures on the Company or the Company's business partners and service providers, which could negatively impact the Company's business and/or expose the Company to litigation;
- statutory or regulatory developments, including as to tax policy matters and insurance and other regulatory matters such as the adoption of proposed legislation that would affect Bermuda-headquartered companies and/or Bermuda-based insurers or reinsurers and/or changes in regulations or tax laws applicable to the Company, its subsidiaries, brokers or customers, including the Tax Cuts and Jobs Act of 2017; and
- the other matters set forth under Item 1A "Risk Factors", Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of the Company's Annual Report on Form 10-K, as well as the other factors set forth in the Company's other documents on file with the SEC, and management's response to any of the aforementioned factors.

All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Contacts

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Investor Relations

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arch-corporate



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Financial Supplement

Financial Information as of March 31, 2021

The following financial supplement is provided to assist in your understanding of Arch Capital Group Ltd. (“Arch Capital”) and its subsidiaries (collectively, the “Company”).

This report is for informational purposes only. It should be read in conjunction with documents filed by Arch Capital with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K and the Quarterly Reports on Form 10-Q. Please refer to the Company’s website at www.archcapgroup.com for further information describing Arch Capital.

Contacts

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Arch Capital Group Ltd. and Subsidiaries
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Arch Capital Group Ltd. and Subsidiaries
Basis of Presentation

Basis of Presentation

All financial information contained herein is unaudited, however, certain information relating to the consolidated balance sheet at December 31, 2020 is derived from or agrees to audited financial information. During the 2021 first quarter, the Company changed its presentation of 'income (loss) from operating affiliates' on its consolidated statements of income for all periods presented to reclass such item from 'other income (loss)'. The Company also changed its presentation of 'investment in operating affiliates' on its consolidated balance sheet for all periods presented to reclass such item from 'other assets'. Unless otherwise noted, all data is in thousands, except for share and per share amounts and ratio information.

In March 2014, the Company invested \$100.0 million to acquire common equity and a warrant to purchase additional common equity of Watford Holdings Ltd. In accordance with GAAP, the Company consolidates the results of Watford Holdings Ltd. ("Watford") in its financial statements, although it only owns approximately 10% of Watford's outstanding common equity at March 31, 2021. Watford is considered a variable interest entity and the Company concluded that it is the primary beneficiary of Watford. **As such, 100% of the results of Watford are included in the Company's consolidated financial statements.** The portion of Watford's earnings owned by third parties is recorded in the consolidated statements of income as 'amounts attributable to noncontrolling interests.' In addition, the Company reflects Watford's redeemable preference shares in the mezzanine section of the Company's consolidated balance sheets as 'redeemable noncontrolling interests' because they have redemption features that are not solely within the control of Watford.

Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This release or any other written or oral statements made by or on behalf of Arch Capital and its subsidiaries may include forward-looking statements, which reflect the Company's current views with respect to future events and financial performance. All statements other than statements of historical fact included in or incorporated by reference in this release are forward-looking statements.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or their negative or variations or similar terminology. Forward-looking statements involve the Company's current assessment of risks and uncertainties. Actual events and results may differ materially from those expressed or implied in these statements. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes the following: adverse general economic and market conditions; increased competition; pricing and policy term trends; fluctuations in the actions of rating agencies and the Company's ability to maintain and improve the Company's ratings; investment performance; the loss of key personnel; the adequacy of the Company's loss reserves, severity and/or frequency of losses, greater than expected loss ratios and adverse development on claim and/or claim expense liabilities; greater frequency or severity of unpredictable natural and man-made catastrophic events; including pandemics such as COVID-19; the impact of acts of terrorism and acts of war; changes in regulations and/or tax laws in the United States or elsewhere; the Company's ability to successfully integrate, establish and maintain operating procedures as well as integrate the businesses we have acquired or may acquire into the existing operations; changes in accounting principles or policies; material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements; availability and cost to the Company of reinsurance to manage gross and net exposures; the failure of others to meet their obligations to the Company; changes in the method for determining the London Inter-bank Offered Rate ("LIBOR") and the potential replacement of LIBOR and other factors identified in the Company's filings with the U.S. Securities and Exchange Commission.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are expressly qualified in their entirety by these cautionary statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Arch Capital Group Ltd. and Subsidiaries
Financial Highlights

The following table presents financial highlights (1):

(U.S. Dollars in thousands, except share data)

	Three Months Ended		
	March 31,		
	2021	2020	Change
Underwriting results:			
Gross premiums written	\$ 3,277,293	\$ 2,698,537	21.4 %
Net premiums written	2,329,146	1,950,546	19.4 %
Net premiums earned	1,800,691	1,604,405	12.2 %
Underwriting income (loss) (2)	198,997	160,060	24.3 %
Loss ratio	60.2 %	62.6 %	(2.4)
Acquisition expense ratio	15.3 %	14.1 %	1.2
Other operating expense ratio	13.7 %	13.8 %	(0.1)
Combined ratio	89.2 %	90.5 %	(1.3)
Net investment income	\$ 78,729	\$ 113,028	(30.3)%
<i>Per diluted share</i>	\$ 0.19	\$ 0.27	(29.6)%
Net income available to Arch common shareholders	\$ 427,753	\$ 133,714	219.9 %
<i>Per diluted share</i>	\$ 1.05	\$ 0.32	228.1 %
After-tax operating income available to Arch common shareholders (2)	\$ 239,769	\$ 189,756	26.4 %
<i>Per diluted share</i>	\$ 0.59	\$ 0.46	28.3 %
Comprehensive income (loss) available to Arch	\$ 155,089	\$ (46,030)	n/m
Net cash provided by operating activities	\$ 755,928	\$ 585,956	29.0 %
Weighted average common shares and common share equivalents outstanding — diluted	409,223,253	414,033,570	(1.2)%
Financial measures:			
Change in book value per common share during period	0.8 %	(1.2)%	2.0
Annualized return on average common equity	13.9 %	5.0 %	8.9
Annualized operating return on average common equity (2)	7.8 %	7.1 %	0.7
Total return on investments (3)	(0.18)%	(0.86)%	68 bps

- (1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.
- (2) See 'Comments on Regulation G' for a further discussion of consolidated underwriting income or loss, after-tax operating income or loss available to Arch common shareholders and annualized operating return on average common equity.
- (3) Total return on investments includes net investment income, equity in net income (loss) of investment funds accounted for using the equity method, net realized gains and losses and the change in unrealized gains and losses and is calculated on a pre-tax basis and before investment expenses. See 'Comments on Regulation G' for a further discussion of the presentation of total return on investments.

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Income

(U.S. Dollars in thousands, except share data)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenues					
Net premiums earned	\$ 1,948,422	\$ 1,811,045	\$ 1,771,092	\$ 1,665,354	\$ 1,744,444
Net investment income	98,856	114,458	128,512	131,485	145,153
Net realized gains (losses)	142,461	353,333	280,499	556,588	(366,960)
Other underwriting income	6,110	7,852	5,413	6,667	6,852
Equity in net income (loss) of investment funds accounted for using the equity method	71,686	89,286	126,735	(65,119)	(4,209)
Other income (loss)	(1,741)	(36)	—	33	32
Total revenues	2,265,794	2,375,938	2,312,251	2,295,008	1,525,312
Expenses					
Losses and loss adjustment expenses	(1,203,100)	(1,127,385)	(1,216,273)	(1,230,522)	(1,115,419)
Acquisition expenses	(304,481)	(254,828)	(247,942)	(254,789)	(247,283)
Other operating expenses	(261,033)	(215,697)	(215,686)	(209,249)	(234,544)
Corporate expenses	(25,384)	(25,335)	(17,937)	(17,920)	(20,796)
Amortization of intangible assets	(14,402)	(19,196)	(16,715)	(16,489)	(16,631)
Interest expense	(38,346)	(38,419)	(41,343)	(31,139)	(32,555)
Net foreign exchange gains (losses)	20,063	(72,209)	(44,885)	(39,211)	72,671
Total expenses	(1,826,683)	(1,753,069)	(1,800,781)	(1,799,319)	(1,594,557)
Income (loss) before income taxes and income (loss) from operating affiliates	439,111	622,869	511,470	495,689	(69,245)
Income tax expense	(38,860)	(34,059)	(23,707)	(26,127)	(27,945)
Income (loss) from operating affiliates	75,457	10,504	919	(3,173)	8,516
Net income (loss)	475,708	599,314	488,682	466,389	(88,674)
Net (income) loss attributable to noncontrolling interests	(37,552)	(55,770)	(69,643)	(167,568)	232,791
Net income (loss) attributable to Arch	438,156	543,544	419,039	298,821	144,117
Preferred dividends	(10,403)	(10,403)	(10,403)	(10,403)	(10,403)
Net income (loss) available to Arch common shareholders	\$ 427,753	\$ 533,141	\$ 408,636	\$ 288,418	\$ 133,714
Comprehensive income (loss) available to Arch	\$ 155,089	\$ 646,082	\$ 455,907	\$ 626,366	\$ (46,030)
Net income (loss) per common share and common share equivalent					
Basic	\$ 1.07	\$ 1.32	\$ 1.01	\$ 0.72	\$ 0.33
Diluted	\$ 1.05	\$ 1.30	\$ 1.00	\$ 0.71	\$ 0.32
Weighted average common shares and common share equivalents outstanding					
Basic	400,807,895	403,005,335	402,850,485	402,503,687	403,892,161
Diluted	409,223,253	410,281,852	409,194,657	408,119,681	414,033,570

Arch Capital Group Ltd. and Subsidiaries
Consolidated Balance Sheets

(U.S. Dollars in thousands, except share data)

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Assets					
Investments:					
Fixed maturities available for sale, at fair value	\$ 18,723,035	\$ 18,717,825	\$ 18,452,888	\$ 17,207,731	\$ 16,841,571
Short-term investments available for sale, at fair value	1,269,631	1,924,922	2,039,097	2,277,866	944,531
Collateral received under securities lending, at fair value	143,894	301,096	64,259	473,790	182,284
Equity securities, at fair value	1,532,906	1,444,830	1,502,015	1,257,317	1,181,903
Other investments	4,435,354	4,324,796	3,749,575	3,520,771	3,310,517
Investments accounted for using the equity method	2,256,327	2,047,889	1,883,702	1,727,302	1,676,055
Total investments	28,361,147	28,761,358	27,691,536	26,464,777	24,136,861
Cash	941,951	906,448	976,398	854,259	882,284
Accrued investment income	101,108	103,299	106,940	102,064	118,089
Securities pledged under securities lending, at fair value	140,949	294,912	62,749	464,503	177,442
Investment in operating affiliates	739,783	129,291	115,411	111,175	132,460
Premiums receivable	2,618,175	2,064,586	2,225,311	2,203,753	2,155,204
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses	4,041,076	4,500,802	4,621,937	4,363,507	4,303,135
Contractholder receivables	1,919,655	1,986,924	2,185,614	2,179,124	2,140,724
Ceded unearned premiums	1,406,489	1,234,075	1,450,200	1,364,603	1,357,284
Deferred acquisition costs	919,740	790,708	750,901	714,531	708,848
Receivable for securities sold	199,424	92,743	158,674	167,281	221,573
Goodwill and intangible assets	679,509	692,863	713,777	688,490	705,450
Other assets	2,135,261	1,724,288	1,656,587	1,521,581	1,376,772
Total assets	\$ 44,204,267	\$ 43,282,297	\$ 42,716,035	\$ 41,199,648	\$ 38,416,126
Liabilities					
Reserve for losses and loss adjustment expenses	\$ 16,443,952	\$ 16,513,929	\$ 15,900,526	\$ 15,044,874	\$ 14,309,580
Unearned premiums	5,549,127	4,838,965	5,062,052	4,827,445	4,817,191
Reinsurance balances payable	919,125	683,263	873,067	793,467	737,597
Contractholder payables	1,925,508	1,995,562	2,191,515	2,185,414	2,149,762
Collateral held for insured obligations	222,245	215,581	221,957	208,449	211,597
Senior notes	2,861,417	2,861,113	2,860,811	2,860,733	1,871,869
Revolving credit agreement borrowings	155,688	155,687	210,687	335,587	500,587
Securities lending payable	143,886	301,089	64,251	473,783	182,274
Payable for securities purchased	386,453	218,779	382,236	275,257	327,359
Other liabilities	1,565,860	1,510,888	1,681,181	1,467,739	1,392,905
Total liabilities	30,173,261	29,294,856	29,448,283	28,472,748	26,500,721
Redeemable noncontrolling interests	57,670	58,548	57,835	55,986	55,376
Shareholders' equity					
Non-cumulative preferred shares	780,000	780,000	780,000	780,000	780,000
Common shares	645	643	642	642	642
Additional paid-in capital	2,014,741	1,977,794	1,950,782	1,935,514	1,921,487
Retained earnings	12,790,216	12,362,463	11,829,322	11,420,686	11,132,268
Accumulated other comprehensive income (loss), net of deferred income tax	205,827	488,895	386,357	349,488	21,944
Common shares held in treasury, at cost	(2,694,957)	(2,503,909)	(2,495,106)	(2,494,505)	(2,489,097)
Total shareholders' equity available to Arch	13,096,472	13,105,886	12,451,997	11,991,825	11,367,244
Non-redeemable noncontrolling interests	876,864	823,007	757,920	679,089	492,785
Total shareholders' equity	13,973,336	13,928,893	13,209,917	12,670,914	11,860,029
Total liabilities, noncontrolling interests and shareholders' equity	\$ 44,204,267	\$ 43,282,297	\$ 42,716,035	\$ 41,199,648	\$ 38,416,126
Common shares and common share equivalents outstanding, net of treasury shares	403,313,377	406,720,642	406,018,958	405,970,251	405,609,867
Book value per common share (1)	\$ 30.54	\$ 30.31	\$ 28.75	\$ 27.62	\$ 26.10

(1) Excludes the effects of stock options and restricted stock units outstanding.

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Non-cumulative preferred shares					
Balance at beginning and end of period	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 780,000
Common shares					
Balance at beginning of period	643	642	642	642	638
Common shares issued, net	2	1	—	—	4
Balance at end of period	645	643	642	642	642
Additional paid-in capital					
Balance at beginning of period	1,977,794	1,950,782	1,935,514	1,921,487	1,889,683
Amortization of share-based compensation	40,573	14,663	14,662	13,160	28,050
All other	(3,626)	12,349	606	867	3,754
Balance at end of period	2,014,741	1,977,794	1,950,782	1,935,514	1,921,487
Retained earnings					
Balance at beginning of period	12,362,463	11,829,322	11,420,686	11,132,268	11,021,006
Cumulative effect of an accounting change (1)	—	—	—	—	(22,452)
Balance at beginning of period, as adjusted	12,362,463	11,829,322	11,420,686	11,132,268	10,998,554
Net income	475,708	599,314	488,682	466,389	(88,674)
Amounts attributable to noncontrolling interests	(37,552)	(55,770)	(69,643)	(167,568)	232,791
Preferred share dividends	(10,403)	(10,403)	(10,403)	(10,403)	(10,403)
Balance at end of period	12,790,216	12,362,463	11,829,322	11,420,686	11,132,268
Accumulated other comprehensive income (loss), net of deferred income tax					
Balance at beginning of period	488,895	386,357	349,488	21,944	212,091
Change in unrealized appreciation (decline) in value of available-for-sale investments	(254,584)	63,008	19,800	305,338	(145,337)
Change in foreign currency translation adjustments	(28,484)	39,530	17,069	22,206	(44,810)
Balance at end of period	205,827	488,895	386,357	349,488	21,944
Common shares held in treasury, at cost					
Balance at beginning of period	(2,503,909)	(2,495,106)	(2,494,505)	(2,489,097)	(2,406,047)
Shares repurchased for treasury	(191,048)	(8,803)	(601)	(5,408)	(83,050)
Balance at end of period	(2,694,957)	(2,503,909)	(2,495,106)	(2,494,505)	(2,489,097)
Total shareholders' equity available to Arch	13,096,472	13,105,886	12,451,997	11,991,825	11,367,244
Non-redeemable noncontrolling interests	876,864	823,007	757,920	679,089	492,785
Total shareholders' equity	<u>\$ 13,973,336</u>	<u>\$ 13,928,893</u>	<u>\$ 13,209,917</u>	<u>\$ 12,670,914</u>	<u>\$ 11,860,029</u>

(1) Adoption of ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)."

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Operating Activities					
Net income (loss)	\$ 475,708	\$ 599,314	\$ 488,682	\$ 466,389	\$ (88,674)
Adjustments to reconcile net income to net cash provided by operating activities:					
Net realized (gains) losses	(161,007)	(366,942)	(282,907)	(557,740)	362,964
Equity in net (income) or loss of investment funds accounted for using the equity method and other income or loss	(135,939)	(78,257)	(95,078)	96,350	29,034
Amortization of intangible assets	14,402	19,196	16,715	16,489	16,631
Share-based compensation	40,812	14,829	14,521	13,363	28,549
Changes in:					
Reserve for losses and loss adjustment expenses, net	560,153	445,758	509,623	652,389	506,057
Unearned premiums, net	560,035	(53,030)	103,052	2,957	392,802
Premiums receivable	(608,250)	143,123	1,872	(45,181)	(418,457)
Deferred acquisition costs	(126,701)	(36,710)	(14,801)	(17,302)	(75,135)
Reinsurance balances payable	240,206	(139,670)	73,459	52,354	79,807
Other items, net	(96,574)	7,444	194,732	31,058	(223,124)
Net cash provided by operating activities	<u>762,845</u>	<u>555,055</u>	<u>1,009,870</u>	<u>711,126</u>	<u>610,454</u>
Investing Activities					
Purchases of fixed maturity investments	(11,530,968)	(5,714,394)	(8,640,034)	(13,444,854)	(11,965,995)
Purchases of equity securities	(309,419)	(239,162)	(330,699)	(264,466)	(760,683)
Purchases of other investments	(430,961)	(966,841)	(340,194)	(273,221)	(228,471)
Proceeds from sales of fixed maturity investments	10,917,134	5,404,479	7,711,837	13,109,907	11,723,123
Proceeds from sales of equity securities	284,986	415,471	151,447	314,045	266,301
Proceeds from sales, redemptions and maturities of other investments	323,591	237,771	319,619	256,057	216,131
Proceeds from redemptions and maturities of fixed maturity investments	421,042	225,842	276,052	170,884	198,356
Net settlements of derivative instruments	47,660	15,716	12,819	(45,017)	195,488
Net (purchases) sales of short-term investments	589,175	129,670	164,012	(1,311,586)	(11,777)
Change in cash collateral related to securities lending	—	—	26,614	(405)	55,001
Purchase of operating affiliate, net	(546,349)	—	—	—	—
Purchases of fixed assets	(12,490)	(13,155)	(9,030)	(9,217)	(8,470)
Other	(246,590)	69,795	(140,671)	(33,821)	42,500
Net cash provided by (used for) investing activities	<u>(493,189)</u>	<u>(434,808)</u>	<u>(798,228)</u>	<u>(1,531,694)</u>	<u>(278,496)</u>
Financing Activities					
Purchases of common shares under share repurchase program	(179,266)	(7,986)	—	—	(75,486)
Proceeds from common shares issued, net	(10,008)	11,532	5	(5,134)	(4,527)
Proceeds from borrowings	—	—	13,875	988,618	16,300
Repayments of borrowings	—	(55,000)	(139,000)	(165,000)	—
Change in cash collateral related to securities lending	—	—	(26,614)	405	(55,001)
Change in third party investment in non-redeemable noncontrolling interests	15,971	—	—	—	(2,867)
Dividends paid to redeemable noncontrolling interests	(948)	(1,404)	(1,001)	(1,359)	(1,181)
Other	(1,948)	18,449	57,891	(1,294)	(1,331)
Preferred dividends paid	(10,403)	(10,403)	(10,403)	(10,403)	(10,403)
Net cash provided by (used for) financing activities	<u>(186,602)</u>	<u>(44,812)</u>	<u>(105,247)</u>	<u>805,833</u>	<u>(134,496)</u>
Effects of exchange rate changes on foreign currency cash and restricted cash	(6,084)	28,136	15,895	8,981	(30,723)
Increase (decrease) in cash and restricted cash	76,970	103,571	122,290	(5,754)	166,739
Cash and restricted cash, beginning of period	1,290,544	1,186,973	1,064,683	1,070,437	903,698
Cash and restricted cash, end of period	<u>\$ 1,367,514</u>	<u>\$ 1,290,544</u>	<u>\$ 1,186,973</u>	<u>\$ 1,064,683</u>	<u>\$ 1,070,437</u>
Income taxes paid (received)	\$ 7,099	\$ 56,126	\$ 136,404	\$ 3,023	\$ 7,387
Interest paid	\$ 988	\$ 72,936	\$ 3,141	\$ 50,767	\$ 6,647
Net cash provided by operating activities, excluding the 'other' segment	\$ 755,928	\$ 507,017	\$ 963,654	\$ 648,427	\$ 585,956

Arch Capital Group Ltd. and Subsidiaries Segment Information — Overview

The Company classifies its businesses into three underwriting segments — insurance, reinsurance and mortgage — and two other operating segments — ‘other’ and corporate (non-underwriting). The Company’s Insurance, Reinsurance and Mortgage segments each have 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 Arch Capital and the Chief Financial Officer of Arch Capital. The chief operating decision makers do not assess performance, measure return on equity or make resource allocation decisions on a line of business basis. Management measures segment performance for its three core underwriting segments based on underwriting income or loss. The Company does not manage its assets by underwriting segment and, accordingly, investment income is not allocated to each underwriting segment.

The Company determined its reportable operating segments using the management approach described in accounting guidance regarding disclosures about segments of an enterprise and related information. 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.

Insurance Segment

The insurance segment consists of the Company’s insurance underwriting units which offer specialty product lines on a worldwide basis. Product lines include:

- *Construction and national accounts*: primary and excess casualty coverages to middle and large accounts in the construction industry and a wide range of products for middle and large national accounts, specializing in loss sensitive primary casualty insurance programs (including large deductible, self-insured retention and retrospectively rated programs).
- *Excess and surplus casualty*: primary and excess casualty insurance coverages, including middle market energy business, and contract binding, which primarily provides casualty coverage through a network of appointed agents to small and medium risks.
- *Lenders products*: collateral protection, debt cancellation and service contract reimbursement products to banks, credit unions, automotive dealerships and original equipment manufacturers and other specialty programs that pertain to automotive lending and leasing.
- *Professional lines*: directors’ and officers’ liability, errors and omissions liability, employment practices liability, fiduciary liability, crime, professional indemnity and other financial related coverages for corporate, private equity, venture capital, real estate investment trust, limited partnership, financial institution and not-for-profit clients of all sizes and medical professional and general liability insurance coverages for the healthcare industry. The business is predominately written on a claims-made basis.
- *Programs*: primarily package policies, underwriting workers’ compensation and umbrella liability business in support of desirable package programs, targeting program managers with unique expertise and niche products offering general liability, commercial automobile, inland marine and property business with minimal catastrophe exposure.
- *Property, energy, marine and aviation*: primary and excess general property insurance coverages, including catastrophe-exposed property coverage, for commercial clients. Coverages for marine include hull, war, specie and liability. Aviation and stand alone terrorism are also offered.
- *Travel, accident and health*: specialty travel and accident and related insurance products for individual, group travelers, travel agents and suppliers, as well as accident and health, which provides accident, disability and medical plan insurance coverages for employer groups, medical plan members, students and other participant groups.
- *Other*: includes alternative market risks (including captive insurance programs), excess workers’ compensation and employer’s liability insurance coverages for qualified self-insured groups, associations and trusts, and contract and commercial surety coverages, including contract bonds (payment and performance bonds) primarily for medium and large contractors and commercial surety bonds for Fortune 1,000 companies and smaller transaction business programs.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Overview

Reinsurance Segment

The reinsurance segment consists of the Company's reinsurance underwriting units which offer specialty product lines on a worldwide basis. Product lines include:

- *Casualty*: provides coverage to ceding company clients 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 and transit, and aviation business, including airline and general aviation risks. Business written may also include space business, which includes coverages for satellite assembly, launch and operation for commercial space programs.
- *Other specialty*: provides coverage to ceding company clients for proportional motor and other lines including surety, accident and health, workers' compensation catastrophe, agriculture, trade credit and political risk.
- *Property catastrophe*: provides protection for 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 excess of loss basis. In addition, facultative business is written which focuses on commercial property risks on an excess of loss basis.
- *Other*: includes life 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.

Mortgage Segment

The mortgage segment includes the Company's U.S. and international mortgage insurance and reinsurance operations as well as government sponsored enterprise ("GSE") credit-risk sharing transactions. Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company (combined "Arch MI U.S.") are approved as eligible mortgage insurers by Fannie Mae and Freddie Mac.

Corporate (Non-Underwriting) Segment

The corporate (non-underwriting) segment results include net investment income, other income (loss), corporate expenses, transaction costs and other, amortization of intangible assets, interest expense, items related to the Company's non-cumulative preferred shares, net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses, income or loss from operating affiliates and income taxes. Such amounts exclude the results of the 'other' segment.

Other Segment

The 'other' segment includes the results of Watford. Subsidiaries of the Company act as Watford's reinsurance and insurance underwriting managers while HPS Investment Partners, LLC manages Watford's non-investment grade credit portfolios and the Company manages Watford's investment grade portfolios, all under long term services agreements. Pursuant to generally accepted accounting principles, Watford is considered a variable interest entity and the Company concluded that it is the primary beneficiary of Watford. As such, the Company consolidates the results of Watford in its consolidated financial statements, although it only owns approximately 10% of Watford's common equity (listed on the Nasdaq Select Global Market under the ticker symbol "WTRE"). Watford has its own management and board of directors that is responsible for its own results and profitability. The portion of Watford's earnings attributable to third party investors is recorded in the consolidated statements of income as 'amounts attributable to noncontrolling interests.' Management measures segment performance for the 'other' segment based on net income or loss.

Arch Capital Group Ltd. and Subsidiaries
Segment Information

(U.S. Dollars in thousands)

	Three Months Ended March 31, 2021					
	Insurance	Reinsurance	Mortgage	Sub-total (Core)	Other	Total
Gross premiums written (1)	\$ 1,415,886	\$ 1,471,060	\$ 391,246	\$ 3,277,293	\$ 216,523	\$ 3,397,206
Premiums ceded	(421,047)	(471,948)	(56,051)	(948,147)	(37,212)	(888,749)
Net premiums written	994,839	999,112	335,195	2,329,146	179,311	2,508,457
Change in unearned premiums	(175,365)	(354,212)	1,122	(528,455)	(31,580)	(560,035)
Net premiums earned	819,474	644,900	336,317	1,800,691	147,731	1,948,422
Other underwriting income (loss)	—	(1,198)	6,897	5,699	411	6,110
Losses and loss adjustment expenses	(535,747)	(484,870)	(63,689)	(1,084,306)	(118,794)	(1,203,100)
Acquisition expenses	(128,222)	(118,025)	(30,082)	(276,329)	(28,152)	(304,481)
Other operating expenses	(137,113)	(60,514)	(49,131)	(246,758)	(14,275)	(261,033)
Underwriting income (loss)	\$ 18,392	\$ (19,707)	\$ 200,312	198,997	(13,079)	185,918
Net investment income				78,729	20,127	98,856
Net realized gains (losses)				101,336	41,125	142,461
Equity in net income (loss) of investment funds accounted for using the equity method				71,686	—	71,686
Other income (loss)				(1,741)	—	(1,741)
Corporate expenses (2)				(23,468)	—	(23,468)
Transaction costs and other (2)				(1,201)	(715)	(1,916)
Amortization of intangible assets				(14,402)	—	(14,402)
Interest expense				(34,197)	(4,149)	(38,346)
Net foreign exchange gains (losses)				21,505	(1,442)	20,063
Income (loss) before income taxes and income (loss) from operating affiliates				397,244	41,867	439,111
Income tax (expense) benefit				(38,852)	(8)	(38,860)
Income (loss) from operating affiliates				75,457	—	75,457
Net income (loss)				433,849	41,859	475,708
Dividends attributable to redeemable noncontrolling interests				117	(972)	(855)
Amounts attributable to nonredeemable noncontrolling interests				—	(36,697)	(36,697)
Net income (loss) available to Arch				433,966	4,190	438,156
Preferred dividends				(10,403)	—	(10,403)
Net income (loss) available to Arch common shareholders				\$ 423,563	\$ 4,190	\$ 427,753
Underwriting Ratios						
Loss ratio	65.4 %	75.2 %	18.9 %	60.2 %	80.4 %	61.7 %
Acquisition expense ratio	15.6 %	18.3 %	8.9 %	15.3 %	19.1 %	15.6 %
Other operating expense ratio	16.7 %	9.4 %	14.6 %	13.7 %	9.7 %	13.4 %
Combined ratio	97.7 %	102.9 %	42.4 %	89.2 %	109.2 %	90.7 %
Net premiums written to gross premiums written	70.3 %	67.9 %	85.7 %	71.1 %	82.8 %	73.8 %
Total investable assets				\$ 26,338,599	\$ 2,740,428	\$ 29,079,027
Total assets				40,541,201	3,663,066	44,204,267
Total liabilities				27,533,009	2,640,252	30,173,261

- Certain amounts included in the gross premiums written of each segment are related to intersegment transactions and are included in the gross premiums written of each segment. 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.
- Certain expenses have been excluded from 'corporate expenses' and reflected in 'Transaction costs and other.' See 'Comments on Regulation G' for a further discussion of such items.

Arch Capital Group Ltd. and Subsidiaries
Segment Information

(U.S. Dollars in thousands)

	Three Months Ended March 31, 2020					
	Insurance	Reinsurance	Mortgage	Sub-total (Core)	Other	Total
Gross premiums written (1)	\$ 1,207,645	\$ 1,122,519	\$ 368,945	\$ 2,698,537	\$ 234,902	\$ 2,832,830
Premiums ceded	(378,897)	(325,339)	(44,327)	(747,991)	(48,202)	(695,584)
Net premiums written	828,748	797,180	324,618	1,950,546	186,700	2,137,246
Change in unearned premiums	(112,829)	(253,720)	20,408	(346,141)	(46,661)	(392,802)
Net premiums earned	715,919	543,460	345,026	1,604,405	140,039	1,744,444
Other underwriting income (loss)	—	2,120	4,599	6,719	133	6,852
Losses and loss adjustment expenses	(507,108)	(430,069)	(67,566)	(1,004,743)	(110,676)	(1,115,419)
Acquisition expenses	(107,337)	(79,606)	(38,536)	(225,479)	(21,804)	(247,283)
Other operating expenses	(129,649)	(45,297)	(45,896)	(220,842)	(13,702)	(234,544)
Underwriting income (loss)	\$ (28,175)	\$ (9,392)	\$ 197,627	160,060	(6,010)	154,050
Net investment income				113,028	32,125	145,153
Net realized gains (losses)				(72,109)	(294,851)	(366,960)
Equity in net income (loss) of investment funds accounted for using the equity method				(4,209)	—	(4,209)
Other income (loss)				32	—	32
Corporate expenses (2)				(18,201)	—	(18,201)
Transaction costs and other (2)				(2,595)	—	(2,595)
Amortization of intangible assets				(16,631)	—	(16,631)
Interest expense				(25,245)	(7,310)	(32,555)
Net foreign exchange gains (losses)				63,307	9,364	72,671
Income (loss) before income taxes and income (loss) from operating affiliates				197,437	(266,682)	(69,245)
Income tax (expense) benefit				(27,945)	—	(27,945)
Income (loss) from operating affiliates				8,516	—	8,516
Net income (loss)				178,008	(266,682)	(88,674)
Dividends attributable to redeemable noncontrolling interests				(57)	(1,096)	(1,153)
Amounts attributable to nonredeemable noncontrolling interests				—	233,944	233,944
Net income (loss) available to Arch				177,951	(33,834)	144,117
Preferred dividends				(10,403)	—	(10,403)
Net income (loss) available to Arch common shareholders				\$ 167,548	\$ (33,834)	\$ 133,714
Underwriting Ratios						
Loss ratio	70.8 %	79.1 %	19.6 %	62.6 %	79.0 %	63.9 %
Acquisition expense ratio	15.0 %	14.6 %	11.2 %	14.1 %	15.6 %	14.2 %
Other operating expense ratio	18.1 %	8.3 %	13.3 %	13.8 %	9.8 %	13.4 %
Combined ratio	103.9 %	102.0 %	44.1 %	90.5 %	104.4 %	91.5 %
Net premiums written to gross premiums written	68.6 %	71.0 %	88.0 %	72.3 %	79.5 %	75.4 %
Total investable assets				\$ 22,375,852	\$ 2,502,589	\$ 24,878,441
Total assets				35,049,744	3,366,382	38,416,126
Total liabilities				23,740,716	2,760,005	26,500,721

- (1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions and are included in the gross premiums written of each segment. 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.
- (2) Certain expenses have been excluded from 'corporate expenses' and reflected in 'Transaction costs and other.' See 'Comments on Regulation G' for a further discussion of such items.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Insurance Segment

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Gross premiums written	\$ 1,415,886	\$ 1,244,227	\$ 1,206,328	\$ 1,030,362	\$ 1,207,645
Premiums ceded	(421,047)	(406,490)	(382,167)	(358,101)	(378,897)
Net premiums written	994,839	837,737	824,161	672,261	828,748
Change in unearned premiums	(175,365)	(89,299)	(105,007)	15,648	(112,829)
Net premiums earned	819,474	748,438	719,154	687,909	715,919
Other underwriting income (loss)	—	—	(31)	—	—
Losses and loss adjustment expenses	(535,747)	(541,821)	(525,321)	(518,203)	(507,108)
Acquisition expenses	(128,222)	(101,055)	(102,420)	(107,671)	(107,337)
Other operating expenses	(137,113)	(118,206)	(122,541)	(118,757)	(129,649)
Underwriting income (loss)	\$ 18,392	\$ (12,644)	\$ (31,159)	\$ (56,722)	\$ (28,175)
Underwriting Ratios					
Loss ratio	65.4 %	72.4 %	73.0 %	75.3 %	70.8 %
Acquisition expense ratio	15.6 %	13.5 %	14.2 %	15.7 %	15.0 %
Other operating expense ratio	16.7 %	15.8 %	17.0 %	17.3 %	18.1 %
Combined ratio	97.7 %	101.7 %	104.2 %	108.3 %	103.9 %
Catastrophic activity and prior year development:					
Current accident year catastrophic events, net of reinsurance and reinstatement premiums	5.1 %	8.3 %	10.3 %	12.5 %	6.9 %
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(0.7)%	(0.2)%	(0.2)%	(0.3)%	(0.1)%
Combined ratio excluding catastrophic activity and prior year development (1)	93.3 %	93.6 %	94.1 %	96.1 %	97.1 %
Net premiums written to gross premiums written	70.3 %	67.3 %	68.3 %	65.2 %	68.6 %

(1) See 'Comments on Regulation G' for further discussion.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Insurance Segment

(U.S. Dollars in thousands)

	Three Months Ended									
	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
Net premiums written										
Property, energy, marine and aviation	\$ 170,498	17.1 %	\$ 179,455	21.4 %	\$ 152,193	18.5 %	\$ 159,801	23.8 %	\$ 127,585	15.4 %
Professional lines (1)	238,246	23.9 %	217,306	25.9 %	199,163	24.2 %	157,899	23.5 %	169,118	20.4 %
Programs	158,401	15.9 %	96,743	11.5 %	123,768	15.0 %	104,930	15.6 %	112,532	13.6 %
Construction and national accounts	134,792	13.5 %	102,171	12.2 %	88,790	10.8 %	57,144	8.5 %	115,999	14.0 %
Excess and surplus casualty (2)	85,593	8.6 %	88,319	10.5 %	78,889	9.6 %	64,703	9.6 %	65,419	7.9 %
Travel, accident and health	92,306	9.3 %	29,959	3.6 %	28,972	3.5 %	27,997	4.2 %	126,046	15.2 %
Lenders products	34,860	3.5 %	38,307	4.6 %	60,830	7.4 %	23,690	3.5 %	33,292	4.0 %
Other (3)	80,143	8.1 %	85,477	10.2 %	91,556	11.1 %	76,097	11.3 %	78,757	9.5 %
Total	\$ 994,839	100.0 %	\$ 837,737	100.0 %	\$ 824,161	100.0 %	\$ 672,261	100.0 %	\$ 828,748	100.0 %
Underwriting location										
United States	\$ 675,840	67.9 %	\$ 527,824	63.0 %	\$ 574,699	69.7 %	\$ 453,215	67.4 %	\$ 602,677	72.7 %
Europe	276,122	27.8 %	266,761	31.8 %	212,203	25.7 %	181,566	27.0 %	196,042	23.7 %
Other	42,877	4.3 %	43,152	5.2 %	37,259	4.5 %	37,480	5.6 %	30,029	3.6 %
Total	\$ 994,839	100.0 %	\$ 837,737	100.0 %	\$ 824,161	100.0 %	\$ 672,261	100.0 %	\$ 828,748	100.0 %
Net premiums earned										
Property, energy, marine and aviation	\$ 157,259	19.2 %	\$ 151,456	20.2 %	\$ 133,827	18.6 %	\$ 120,781	17.6 %	\$ 111,183	15.5 %
Professional lines (1)	199,671	24.4 %	180,858	24.2 %	168,502	23.4 %	154,812	22.5 %	151,700	21.2 %
Programs	112,840	13.8 %	110,651	14.8 %	104,861	14.6 %	108,464	15.8 %	108,878	15.2 %
Construction and national accounts	102,671	12.5 %	101,243	13.5 %	95,386	13.3 %	91,605	13.3 %	99,700	13.9 %
Excess and surplus casualty (2)	75,367	9.2 %	74,579	10.0 %	69,978	9.7 %	60,966	8.9 %	65,097	9.1 %
Travel, accident and health	49,666	6.1 %	24,726	3.3 %	36,726	5.1 %	52,117	7.6 %	77,375	10.8 %
Lenders products	40,081	4.9 %	32,832	4.4 %	33,401	4.6 %	23,111	3.4 %	25,343	3.5 %
Other (3)	81,919	10.0 %	72,093	9.6 %	76,473	10.6 %	76,053	11.1 %	76,643	10.7 %
Total	\$ 819,474	100.0 %	\$ 748,438	100.0 %	\$ 719,154	100.0 %	\$ 687,909	100.0 %	\$ 715,919	100.0 %

(1) Includes professional liability, executive assurance and healthcare business.

(2) Includes casualty and contract binding business.

(3) Includes alternative markets, excess workers' compensation and surety business.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Reinsurance Segment

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Gross premiums written	\$ 1,471,060	\$ 537,912	\$ 1,004,590	\$ 807,065	\$ 1,122,519
Premiums ceded	(471,948)	(47,018)	(400,388)	(241,971)	(325,339)
Net premiums written	999,112	490,894	604,202	565,094	797,180
Change in unearned premiums	(354,212)	93,180	(49,704)	(84,897)	(253,720)
Net premiums earned	644,900	584,074	554,498	480,197	543,460
Other underwriting income (loss)	(1,198)	2,687	298	(651)	2,120
Losses and loss adjustment expenses	(484,870)	(392,734)	(422,084)	(383,433)	(430,069)
Acquisition expenses	(118,025)	(98,532)	(85,388)	(90,522)	(79,606)
Other operating expenses	(60,514)	(42,180)	(41,818)	(38,716)	(45,297)
Underwriting income (loss)	\$ (19,707)	\$ 53,315	\$ 5,506	\$ (33,125)	\$ (9,392)
Underwriting Ratios					
Loss ratio	75.2 %	67.2 %	76.1 %	79.8 %	79.1 %
Acquisition expense ratio	18.3 %	16.9 %	15.4 %	18.9 %	14.6 %
Other operating expense ratio	9.4 %	7.2 %	7.5 %	8.1 %	8.3 %
Combined ratio	102.9 %	91.3 %	99.0 %	106.8 %	102.0 %
Catastrophic activity and prior year development:					
Current accident year catastrophic events, net of reinsurance and reinstatement premiums	22.7 %	16.1 %	23.3 %	25.3 %	12.7 %
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(3.8)%	(6.9)%	(7.4)%	(6.0)%	(2.0)%
Combined ratio excluding catastrophic activity and prior year development (1)	84.0 %	82.1 %	83.1 %	87.5 %	91.3 %
Net premiums written to gross premiums written	67.9 %	91.3 %	60.1 %	70.0 %	71.0 %

(1) See 'Comments on Regulation G' for further discussion.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Reinsurance Segment

(U.S. Dollars in thousands)

	Three Months Ended									
	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
Net premiums written										
Property excluding property catastrophe	\$ 292,833	29.3 %	\$ 150,643	30.7 %	\$ 223,880	37.1 %	\$ 163,639	29.0 %	\$ 158,924	19.9 %
Property catastrophe	117,207	11.7 %	37,317	7.6 %	42,125	7.0 %	117,676	20.8 %	89,092	11.2 %
Other specialty (1)	284,331	28.5 %	147,012	29.9 %	159,969	26.5 %	117,375	20.8 %	284,952	35.7 %
Casualty (2)	218,256	21.8 %	103,989	21.2 %	142,401	23.6 %	105,049	18.6 %	190,880	23.9 %
Marine and aviation	61,638	6.2 %	31,418	6.4 %	27,839	4.6 %	32,372	5.7 %	49,785	6.2 %
Other (3)	24,847	2.5 %	20,515	4.2 %	7,988	1.3 %	28,983	5.1 %	23,547	3.0 %
Total	\$ 999,112	100.0 %	\$ 490,894	100.0 %	\$ 604,202	100.0 %	\$ 565,094	100.0 %	\$ 797,180	100.0 %
Underwriting location										
Bermuda	\$ 518,241	51.9 %	\$ 187,727	38.2 %	\$ 240,193	39.8 %	\$ 240,451	42.6 %	\$ 333,619	41.8 %
United States	208,101	20.8 %	148,994	30.4 %	189,135	31.3 %	162,027	28.7 %	187,466	23.5 %
Europe and other	272,770	27.3 %	154,173	31.4 %	174,874	28.9 %	162,616	28.8 %	276,095	34.6 %
Total	\$ 999,112	100.0 %	\$ 490,894	100.0 %	\$ 604,202	100.0 %	\$ 565,094	100.0 %	\$ 797,180	100.0 %
Net premiums earned										
Property excluding property catastrophe	\$ 187,782	29.1 %	\$ 162,456	27.8 %	\$ 163,081	29.4 %	\$ 124,019	25.8 %	\$ 112,652	20.7 %
Property catastrophe	88,011	13.6 %	59,986	10.3 %	69,524	12.5 %	55,226	11.5 %	53,000	9.8 %
Other specialty (1)	163,898	25.4 %	158,817	27.2 %	141,201	25.5 %	123,006	25.6 %	203,385	37.4 %
Casualty (2)	149,031	23.1 %	144,808	24.8 %	136,421	24.6 %	132,756	27.6 %	135,071	24.9 %
Marine and aviation	40,108	6.2 %	33,062	5.7 %	26,744	4.8 %	24,960	5.2 %	24,858	4.6 %
Other (3)	16,070	2.5 %	24,945	4.3 %	17,527	3.2 %	20,230	4.2 %	14,494	2.7 %
Total	\$ 644,900	100.0 %	\$ 584,074	100.0 %	\$ 554,498	100.0 %	\$ 480,197	100.0 %	\$ 543,460	100.0 %

(1) Includes proportional motor, surety, accident and health, workers' compensation catastrophe, agriculture, trade credit and other.

(2) Includes executive assurance, professional liability, workers' compensation, excess motor, healthcare and other.

(3) Includes life, casualty clash and other.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Mortgage Segment

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Gross premiums written	\$ 391,246	\$ 389,662	\$ 346,248	\$ 369,144	\$ 368,945
Premiums ceded	(56,051)	(57,995)	(47,783)	(44,044)	(44,327)
Net premiums written	335,195	331,667	298,465	325,100	324,618
Change in unearned premiums	1,122	4,120	52,944	40,613	20,408
Net premiums earned	336,317	335,787	351,409	365,713	345,026
Other underwriting income (1)	6,897	4,667	4,600	6,450	4,599
Losses and loss adjustment expenses	(63,689)	(83,623)	(153,055)	(224,100)	(67,566)
Acquisition expenses	(30,082)	(25,936)	(35,716)	(34,052)	(38,536)
Other operating expenses	(49,131)	(42,024)	(36,708)	(37,574)	(45,896)
Underwriting income	\$ 200,312	\$ 188,871	\$ 130,530	\$ 76,437	\$ 197,627
Underwriting Ratios					
Loss ratio	18.9 %	24.9 %	43.6 %	61.3 %	19.6 %
Acquisition expense ratio	8.9 %	7.7 %	10.2 %	9.3 %	11.2 %
Other operating expense ratio	14.6 %	12.5 %	10.4 %	10.3 %	13.3 %
Combined ratio	42.4 %	45.1 %	64.2 %	80.9 %	44.1 %
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(3.4)%	(2.4)%	(1.3)%	(0.1)%	(1.8)%
Combined ratio excluding prior year development (2)	45.8 %	47.5 %	65.5 %	81.0 %	45.9 %
Net premiums written to gross premiums written	85.7 %	85.1 %	86.2 %	88.1 %	88.0 %
Net premiums written by underwriting location					
United States	\$ 247,529	\$ 250,747	\$ 245,971	\$ 261,124	\$ 264,108
Other	87,666	80,920	52,494	63,976	60,510
Total	\$ 335,195	\$ 331,667	\$ 298,465	\$ 325,100	\$ 324,618
United States %	73.8 %	75.6 %	82.4 %	80.3 %	81.4 %
Other %	26.2 %	24.4 %	17.6 %	19.7 %	18.6 %

(1) Primarily related to income earned on various risk-sharing products offered to government sponsored enterprises and mortgage lenders.

(2) See 'Comments on Regulation G' for further discussion.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Mortgage Segment

(U.S. Dollars in millions)	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
Insurance In Force (IIF) (1)										
U.S. primary mortgage insurance	\$ 276,179	64.7 %	\$ 280,579	66.2 %	\$ 275,846	66.8 %	\$ 276,643	65.9 %	\$ 284,203	68.9 %
Mortgage reinsurance	31,699	7.4 %	31,220	7.4 %	28,421	6.9 %	27,457	6.5 %	24,335	5.9 %
Other (2)	119,138	27.9 %	111,740	26.4 %	108,786	26.3 %	115,803	27.6 %	103,731	25.2 %
Total	\$ 427,016	100.0 %	\$ 423,539	100.0 %	\$ 413,053	100.0 %	\$ 419,903	100.0 %	\$ 412,269	100.0 %
Risk In Force (RIF) (3)										
U.S. primary mortgage insurance	\$ 69,234	89.9 %	\$ 70,522	90.5 %	\$ 69,620	91.0 %	\$ 70,200	91.0 %	\$ 72,566	92.0 %
Mortgage reinsurance	2,214	2.9 %	2,226	2.9 %	2,145	2.8 %	2,116	2.7 %	1,961	2.5 %
Other (2)	5,573	7.2 %	5,146	6.6 %	4,750	6.2 %	4,795	6.2 %	4,387	5.6 %
Total	\$ 77,021	100.0 %	\$ 77,894	100.0 %	\$ 76,515	100.0 %	\$ 77,111	100.0 %	\$ 78,914	100.0 %
Supplemental disclosures for U.S. primary mortgage insurance:										
Total RIF by credit quality (FICO score):										
>=740	\$ 40,230	58.1 %	\$ 40,774	57.8 %	\$ 40,017	57.5 %	\$ 40,297	57.4 %	\$ 41,738	57.5 %
680-739	24,006	34.7 %	24,498	34.7 %	24,236	34.8 %	24,346	34.7 %	25,078	34.6 %
620-679	4,607	6.7 %	4,837	6.9 %	5,016	7.2 %	5,188	7.4 %	5,368	7.4 %
<620	391	0.6 %	413	0.6 %	351	0.5 %	369	0.5 %	382	0.5 %
Total	\$ 69,234	100.0 %	\$ 70,522	100.0 %	\$ 69,620	100.0 %	\$ 70,200	100.0 %	\$ 72,566	100.0 %
Weighted average FICO score	744		743		743		743		743	
Total RIF by Loan-To-Value (LTV):										
95.01% and above	\$ 8,310	12.0 %	\$ 8,643	12.3 %	\$ 8,789	12.6 %	\$ 8,859	12.6 %	\$ 9,060	12.5 %
90.01% to 95.00%	37,193	53.7 %	37,877	53.7 %	37,278	53.5 %	37,830	53.9 %	39,594	54.6 %
85.01% to 90.00%	19,648	28.4 %	20,013	28.4 %	19,870	28.5 %	20,071	28.6 %	20,619	28.8 %
85.00% and below	4,083	5.9 %	3,989	5.7 %	3,683	5.3 %	3,440	4.9 %	3,293	4.5 %
Total	\$ 69,234	100.0 %	\$ 70,522	100.0 %	\$ 69,620	100.0 %	\$ 70,200	100.0 %	\$ 72,566	100.0 %
Weighted average LTV	92.8 %		92.8 %		92.9 %		92.9 %		93.0 %	
Total RIF by State:										
Texas	\$ 5,569	8.0 %	\$ 5,636	8.0 %	\$ 5,536	8.0 %	\$ 5,560	7.9 %	\$ 5,683	7.8 %
California	5,343	7.7 %	5,261	7.5 %	5,019	7.2 %	4,948	7.0 %	5,106	7.0 %
Florida	3,544	5.1 %	3,632	5.2 %	3,648	5.2 %	3,737	5.3 %	3,863	5.3 %
Georgia	2,929	4.2 %	2,959	4.2 %	2,890	4.2 %	2,861	4.1 %	2,819	3.9 %
Illinois	2,728	3.9 %	2,762	3.9 %	2,670	3.8 %	2,643	3.8 %	2,621	3.6 %
North Carolina	2,610	3.8 %	2,622	3.7 %	2,516	3.6 %	2,459	3.5 %	2,475	3.4 %
Virginia	2,458	3.6 %	2,526	3.6 %	2,540	3.6 %	2,656	3.8 %	2,814	3.9 %
Minnesota	2,452	3.5 %	2,520	3.6 %	2,489	3.6 %	2,473	3.5 %	2,509	3.5 %
Massachusetts	2,434	3.5 %	2,464	3.5 %	2,344	3.4 %	2,345	3.3 %	2,409	3.3 %
Washington	2,154	3.1 %	2,220	3.1 %	2,222	3.2 %	2,291	3.3 %	2,426	3.3 %
Other	37,013	53.5 %	37,920	53.8 %	37,746	54.2 %	38,227	54.5 %	39,841	54.9 %
Total	\$ 69,234	100.0 %	\$ 70,522	100.0 %	\$ 69,620	100.0 %	\$ 70,200	100.0 %	\$ 72,566	100.0 %
Weighted average coverage (end of period RIF divided by IIF)	25.1 %		25.1 %		25.2 %		25.4 %		25.5 %	
U.S. mortgage insurance total RIF, net of reinsurance (4)	\$ 55,503		\$ 56,658		\$ 56,067		\$ 57,258		\$ 58,693	
Analysts' persistency (5)	54.1 %		58.7 %		62.5 %		66.6 %		72.6 %	
Risk-to-capital ratio -- Arch MI U.S. (6)	8.7:1		9.3:1		9.6:1		10.2:1		11.3:1	
PMIER sufficiency ratio -- Arch MI U.S. (7)	190 %		173 %		158 %		161 %		165 %	

- (1) The aggregate dollar amount of each insured mortgage loan's current principal balance. (4) Total RIF for the U.S. mortgage insurance operations (see note 3) after external reinsurance.
(2) Includes GSE credit risk-sharing transactions and international insurance business. (5) Represents the % of IIF at the beginning of a 12-month period that remained in force at the end of the period.
(3) The aggregate dollar amount of each insured mortgage loan's current principal balance multiplied by the insurance coverage percentage specified in the policy for insurance policies issued and after contract limits and/or loss ratio caps for risk-sharing or reinsurance transactions. (6) Represents current (non-delinquent) RIF, net of reinsurance, divided by statutory capital (estimate for March 31, 2021).
(7) Calculated as available assets divided by required assets as defined within PMIERS (estimate for March 31, 2021). There was approximately \$1.8 billion of excess available assets at March 31, 2021.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Mortgage Segment

(U.S. Dollars in millions, except policy/loan/claim count)

	Three Months Ended														
	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020						
Supplemental disclosures for U.S. primary mortgage insurance:															
Total new insurance written (NIW) (1)	\$	27,019	\$	38,011	\$	32,787	\$	24,551	\$	16,778					
Total NIW by credit quality (FICO score):															
≥740	\$	17,818	65.9 %	\$	25,128	66.1 %	\$	21,160	64.5 %	\$	15,851	64.6 %	\$	10,069	60.0 %
680-739		8,418	31.2 %		11,877	31.2 %		10,562	32.2 %		7,781	31.7 %		5,787	34.5 %
620-679		783	2.9 %		1,006	2.6 %		1,065	3.2 %		919	3.7 %		922	5.5 %
Total	\$	27,019	100.0 %	\$	38,011	100.0 %	\$	32,787	100.0 %	\$	24,551	100.0 %	\$	16,778	100.0 %
Total NIW by LTV:															
95.01% and above	\$	1,608	6.0 %	\$	2,475	6.5 %	\$	2,561	7.8 %	\$	1,948	7.9 %	\$	1,668	9.9 %
90.01% to 95.00%		12,288	45.5 %		17,783	46.8 %		13,967	42.6 %		9,403	38.3 %		7,199	42.9 %
85.01% to 90.00%		8,312	30.8 %		11,014	29.0 %		10,052	30.7 %		8,140	33.2 %		5,329	31.8 %
85.00% and below		4,811	17.8 %		6,739	17.7 %		6,207	18.9 %		5,060	20.6 %		2,582	15.4 %
Total	\$	27,019	100.0 %	\$	38,011	100.0 %	\$	32,787	100.0 %	\$	24,551	100.0 %	\$	16,778	100.0 %
Total NIW monthly vs. single:															
Monthly	\$	24,989	92.5 %	\$	35,672	93.8 %	\$	31,928	97.4 %	\$	23,391	95.3 %	\$	15,692	93.5 %
Single		2,030	7.5 %		2,339	6.2 %		859	2.6 %		1,160	4.7 %		1,086	6.5 %
Total	\$	27,019	100.0 %	\$	38,011	100.0 %	\$	32,787	100.0 %	\$	24,551	100.0 %	\$	16,778	100.0 %
Total NIW purchase vs. refinance:															
Purchase	\$	20,505	75.9 %	\$	29,584	77.8 %	\$	24,256	74.0 %	\$	14,956	60.9 %	\$	12,299	73.3 %
Refinance		6,514	24.1 %		8,427	22.2 %		8,531	26.0 %		9,595	39.1 %		4,479	26.7 %
Total	\$	27,019	100.0 %	\$	38,011	100.0 %	\$	32,787	100.0 %	\$	24,551	100.0 %	\$	16,778	100.0 %
Ending number of policies in force (PIF) (2)		1,214,245			1,245,771			1,245,408			1,259,328			1,293,799	
Rollforward of insured loans in default:															
Beginning delinquent number of loans		52,234			58,362			64,667			18,414			20,163	
Plus: new notices		10,990			14,564			19,967			58,374			9,419	
Less: cures		(16,131)			(20,457)			(26,029)			(11,664)			(10,541)	
Less: paid claims		(179)			(235)			(243)			(457)			(627)	
Ending delinquent number of loans (2)		46,914			52,234			58,362			64,667			18,414	
Ending percentage of loans in default (2)		3.86 %			4.19 %			4.69 %			5.14 %			1.42 %	
Losses:															
Number of claims paid		179			235			243			457			627	
Total paid claims (in thousands)	\$	6,882			9,344			9,420			20,101			26,038	
Average per claim (in thousands)	\$	38.4			39.8			38.8			44.0			41.5	
Severity (3)		82.0 %			87.2 %			88.6 %			96.3 %			92.8 %	
Average case reserve per default (in thousands)	\$	15.2			12.6			10.1			6.9			14.4	

(1) The original principal balance of all loans that received coverage during the period.

(2) Includes first lien primary and pool policies.

(3) Represents total paid claims divided by RIF of loans for which claims were paid.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Mortgage Segment

Supplemental disclosures for U.S. primary mortgage insurance:

(U.S. Dollars in millions)

	March 31, 2021							December 31, 2020						
	Loss Reserves, Net (1)		Primary IIF (2)		Primary RIF (3)		Delinquency Rate	Loss Reserves, Net (1)		Primary IIF (2)		Primary RIF (3)		Delinquency Rate
	% of Total	Total	% of Total	Total	% of Total	Total		% of Total	Total	% of Total	Total	% of Total		
Policy year:														
2011 and prior	29.1 %	\$ 13,569	4.9 %	\$ 3,086	4.5 %	11.16 %	28.3 %	\$ 14,588	5.2 %	\$ 3,327	4.7 %	11.36 %		
2012	1.2 %	2,769	1.0 %	734	1.1 %	3.17 %	1.3 %	3,651	1.3 %	992	1.4 %	2.98 %		
2013	2.9 %	6,522	2.4 %	1,817	2.6 %	3.17 %	3.0 %	7,546	2.7 %	2,107	3.0 %	3.30 %		
2014	2.2 %	7,250	2.6 %	1,993	2.9 %	3.96 %	2.2 %	8,261	2.9 %	2,273	3.2 %	4.06 %		
2015	3.4 %	12,971	4.7 %	3,495	5.0 %	3.64 %	3.4 %	15,032	5.4 %	4,048	5.7 %	3.72 %		
2016	8.7 %	21,354	7.7 %	5,718	8.3 %	4.66 %	8.8 %	24,958	8.9 %	6,648	9.4 %	4.77 %		
2017	12.3 %	20,826	7.5 %	5,413	7.8 %	5.46 %	12.9 %	24,748	8.8 %	6,413	9.1 %	5.52 %		
2018	16.4 %	22,856	8.3 %	5,794	8.4 %	6.98 %	16.8 %	27,304	9.7 %	6,918	9.8 %	6.76 %		
2019	17.3 %	40,743	14.8 %	10,157	14.7 %	4.72 %	17.8 %	48,304	17.2 %	12,001	17.0 %	4.61 %		
2020	6.5 %	100,435	36.4 %	24,460	35.3 %	0.91 %	5.5 %	106,187	37.8 %	25,795	36.6 %	0.76 %		
2021	0.0 %	26,884	9.7 %	6,567	9.5 %	0.03 %								
Total	100.0 %	\$ 276,179	100.0 %	\$ 69,234	100.0 %	3.86 %	100.0 %	\$ 280,579	100.0 %	\$ 70,522	100.0 %	4.19 %		

- (1) Total reserves for losses and loss adjustment expenses, net of recoverables, was \$700.2 million at March 31, 2021, compared to \$649.7 million at December 31, 2020.
- (2) The aggregate dollar amount of each insured mortgage loan's current principal balance.
- (3) The aggregate dollar amount of each insured mortgage loan's current principal balance multiplied by the insurance coverage percentage specified in the policy for insurance policies issued and after contract limits and/or loss ratio caps for risk-sharing transactions.

Arch Capital Group Ltd. and Subsidiaries
Segment Information - Consolidated Excluding the 'Other' Segment (Sub-Total (Core))

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Gross premiums written	\$ 3,277,293	\$ 2,170,831	\$ 2,556,914	\$ 2,206,410	\$ 2,698,537
Premiums ceded	(948,147)	(510,533)	(830,086)	(643,955)	(747,991)
Net premiums written	2,329,146	1,660,298	1,726,828	1,562,455	1,950,546
Change in unearned premiums	(528,455)	8,001	(101,767)	(28,636)	(346,141)
Net premiums earned	1,800,691	1,668,299	1,625,061	1,533,819	1,604,405
Other underwriting income (loss)	5,699	7,354	4,867	5,799	6,719
Losses and loss adjustment expenses	(1,084,306)	(1,018,178)	(1,100,460)	(1,125,736)	(1,004,743)
Acquisition expenses	(276,329)	(225,523)	(223,524)	(232,245)	(225,479)
Other operating expenses	(246,758)	(202,410)	(201,067)	(195,047)	(220,842)
Underwriting income (loss)	\$ 198,997	\$ 229,542	\$ 104,877	\$ (13,410)	\$ 160,060
Underwriting Ratios					
Loss ratio	60.2 %	61.0 %	67.7 %	73.4 %	62.6 %
Acquisition expense ratio	15.3 %	13.5 %	13.8 %	15.1 %	14.1 %
Other operating expense ratio	13.7 %	12.1 %	12.4 %	12.7 %	13.8 %
Combined ratio	89.2 %	86.6 %	93.9 %	101.2 %	90.5 %
Catastrophic activity and prior year development:					
Current accident year catastrophic events, net of reinsurance and reinstatement premiums	10.5 %	9.4 %	12.5 %	13.5 %	7.4 %
Net (favorable) adverse development in prior year loss reserves, net of related adjustments	(2.3)%	(3.0)%	(2.9)%	(2.0)%	(1.1)%
Combined ratio excluding catastrophic activity and prior year development (1)	81.0 %	80.2 %	84.3 %	89.7 %	84.2 %
Components of losses and loss adjustment expenses incurred (1)					
Paid losses and loss adjustment expenses	\$ 572,589	\$ 652,077	\$ 618,638	\$ 550,481	\$ 530,012
Change in unpaid losses and loss adjustment expenses	511,717	366,101	481,822	575,255	474,731
Total losses and loss adjustment expenses	\$ 1,084,306	\$ 1,018,178	\$ 1,100,460	\$ 1,125,736	\$ 1,004,743
Net premiums written to gross premiums written	71.1 %	76.5 %	67.5 %	70.8 %	72.3 %

(1) See 'Comments on Regulation G' for further discussion.

Arch Capital Group Ltd. and Subsidiaries
Segment Information — Selected Information on Losses and Loss Adjustment Expenses

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Estimated net (favorable) adverse development in prior year loss reserves, net of related adjustments (1)					
Net impact on underwriting results:					
Insurance	\$ (5,474)	\$ (1,158)	\$ (1,136)	\$ (2,148)	\$ (776)
Reinsurance	(24,765)	(40,472)	(40,766)	(28,933)	(10,960)
Mortgage	(11,492)	(8,151)	(4,523)	(306)	(6,101)
Total	<u>\$ (41,731)</u>	<u>\$ (49,781)</u>	<u>\$ (46,425)</u>	<u>\$ (31,387)</u>	<u>\$ (17,837)</u>
Impact on losses and loss adjustment expenses:					
Insurance	\$ (4,057)	\$ (1,906)	\$ (2,282)	\$ (2,518)	\$ (1,115)
Reinsurance	(26,809)	(40,156)	(41,960)	(40,211)	(11,627)
Mortgage	(10,913)	(8,151)	(4,523)	(208)	(6,101)
Total	<u>\$ (41,779)</u>	<u>\$ (50,213)</u>	<u>\$ (48,765)</u>	<u>\$ (42,937)</u>	<u>\$ (18,843)</u>
Impact on acquisition expenses:					
Insurance	\$ (1,417)	\$ 748	\$ 1,146	\$ 370	\$ 339
Reinsurance	2,044	(316)	1,194	11,278	667
Mortgage	(579)	—	—	(98)	—
Total	<u>\$ 48</u>	<u>\$ 432</u>	<u>\$ 2,340</u>	<u>\$ 11,550</u>	<u>\$ 1,006</u>
Impact on combined ratio:					
Insurance	(0.7)%	(0.2)%	(0.2)%	(0.3)%	(0.1)%
Reinsurance	(3.8)%	(6.9)%	(7.4)%	(6.0)%	(2.0)%
Mortgage	(3.4)%	(2.4)%	(1.3)%	(0.1)%	(1.8)%
Total	<u>(2.3)%</u>	<u>(3.0)%</u>	<u>(2.9)%</u>	<u>(2.0)%</u>	<u>(1.1)%</u>
Impact on loss ratio:					
Insurance	(0.5)%	(0.3)%	(0.3)%	(0.4)%	(0.2)%
Reinsurance	(4.2)%	(6.9)%	(7.6)%	(8.4)%	(2.1)%
Mortgage	(3.2)%	(2.4)%	(1.3)%	(0.1)%	(1.8)%
Total	<u>(2.3)%</u>	<u>(3.0)%</u>	<u>(3.0)%</u>	<u>(2.8)%</u>	<u>(1.2)%</u>
Impact on acquisition expense ratio:					
Insurance	(0.2)%	0.1 %	0.1 %	0.1 %	0.1 %
Reinsurance	0.4 %	0.0 %	0.2 %	2.4 %	0.1 %
Mortgage	(0.2)%	0.0 %	0.0 %	0.0 %	0.0 %
Total	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.1 %</u>	<u>0.8 %</u>	<u>0.1 %</u>
Estimated net losses incurred from current accident year catastrophic events (2)					
Insurance	\$ 41,876	\$ 62,398	\$ 74,365	\$ 85,929	\$ 49,483
Reinsurance	146,379	93,959	128,939	121,263	68,953
Total	<u>\$ 188,255</u>	<u>\$ 156,357</u>	<u>\$ 203,304</u>	<u>\$ 207,192</u>	<u>\$ 118,436</u>
Impact on combined ratio:					
Insurance	5.1 %	8.3 %	10.3 %	12.5 %	6.9 %
Reinsurance	22.7 %	16.1 %	23.3 %	25.3 %	12.7 %
Total	<u>10.5 %</u>	<u>9.4 %</u>	<u>12.5 %</u>	<u>13.5 %</u>	<u>7.4 %</u>
Estimated impact of COVID-19 event, net of reinsurance and reinstatement premiums, included in current accident year catastrophic events (3)					
Insurance	\$ 572	\$ (75)	\$ 3,442	\$ 78,059	\$ 35,946
Reinsurance	15	446	8,449	95,039	50,700
Total	<u>\$ 587</u>	<u>\$ 371</u>	<u>\$ 11,891</u>	<u>\$ 173,098</u>	<u>\$ 86,646</u>
Impact on combined ratio:					
Insurance	0.1 %	0.0 %	0.5 %	11.3 %	5.0 %
Reinsurance	0.0 %	0.1 %	1.5 %	19.8 %	9.3 %
Total	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.7 %</u>	<u>11.3 %</u>	<u>5.4 %</u>

- (1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.
- (2) Equals estimated losses from catastrophic events occurring in the current accident year (e.g. natural catastrophes, man-made events, pandemic events), net of reinsurance and reinstatement premiums. As regards the natural catastrophe estimates included within, amounts shown for the insurance segment are for named catastrophic events only, while amounts shown for the reinsurance segment include (i) named events with over \$5 million of losses incurred by its Bermuda and Europe operations and (ii) all catastrophe losses incurred by its U.S. operations. Amounts not applicable for the mortgage segment.
- (3) Equals estimated losses for exposures through March 31, 2021 to the COVID-19 global pandemic, net of reinsurance and reinstatement premiums. The amounts represent a subset of the estimated losses for the current accident year catastrophic events.

Arch Capital Group Ltd. and Subsidiaries
Investment Information — Investable Asset Summary and Investment Portfolio Metrics

The following table summarizes the Company's investable assets and portfolio metrics (1):

(U.S. Dollars in thousands)	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
Investable assets (1) (2):										
Fixed maturities available for sale, at fair value	\$ 18,136,604	68.9 %	\$ 18,104,322	67.4 %	\$ 17,844,866	69.4 %	\$ 16,557,966	67.5 %	\$ 16,163,702	72.2 %
Fixed maturities—fair value option (3)	360,616	1.4 %	388,191	1.4 %	386,865	1.5 %	375,793	1.5 %	342,241	1.5 %
Fixed maturities pledged under securities lending agreements, at fair value	130,152	0.5 %	278,783	1.0 %	62,749	0.2 %	457,906	1.9 %	177,442	0.8 %
Total fixed maturities	<u>18,627,372</u>	<u>70.7 %</u>	<u>18,771,296</u>	<u>69.9 %</u>	<u>18,294,480</u>	<u>71.1 %</u>	<u>17,391,665</u>	<u>70.9 %</u>	<u>16,683,385</u>	<u>74.6 %</u>
Equity securities, at fair value	1,470,592	5.6 %	1,392,420	5.2 %	1,449,208	5.6 %	1,194,874	4.9 %	1,118,734	5.0 %
Equity securities—fair value option (3)	25,640	0.1 %	27,555	0.1 %	30,494	0.1 %	31,197	0.1 %	29,905	0.1 %
Equity securities pledged under securities lending agreements, at fair value	10,797	0.0 %	16,129	0.1 %	—	0.0 %	6,597	0.0 %	—	0.0 %
Total equity securities	<u>1,507,029</u>	<u>5.7 %</u>	<u>1,436,104</u>	<u>5.3 %</u>	<u>1,479,702</u>	<u>5.8 %</u>	<u>1,232,668</u>	<u>5.0 %</u>	<u>1,148,639</u>	<u>5.1 %</u>
Other investments—fair value option (3)	1,527,999	5.8 %	1,480,347	5.5 %	1,276,867	5.0 %	1,212,788	4.9 %	1,153,737	5.2 %
Other investable assets (3)	500,000	1.9 %	500,000	1.9 %	—	0.0 %	—	0.0 %	—	0.0 %
Total other investments	<u>2,027,999</u>	<u>7.7 %</u>	<u>1,980,347</u>	<u>7.4 %</u>	<u>1,276,867</u>	<u>5.0 %</u>	<u>1,212,788</u>	<u>4.9 %</u>	<u>1,153,737</u>	<u>5.2 %</u>
Investments accounted for using the equity method (4)	2,256,327	8.6 %	2,047,889	7.6 %	1,883,702	7.3 %	1,727,302	7.0 %	1,676,055	7.5 %
Short-term investments available for sale, at fair value	1,269,631	4.8 %	1,924,922	7.2 %	2,039,097	7.9 %	2,277,866	9.3 %	944,531	4.2 %
Short-term investments—fair value option (3)	140,329	0.5 %	138,318	0.5 %	118,313	0.5 %	14,317	0.1 %	52,548	0.2 %
Total short-term investments	<u>1,409,960</u>	<u>5.4 %</u>	<u>2,063,240</u>	<u>7.7 %</u>	<u>2,157,410</u>	<u>8.4 %</u>	<u>2,292,183</u>	<u>9.3 %</u>	<u>997,079</u>	<u>4.5 %</u>
Cash	705,787	2.7 %	694,997	2.6 %	781,065	3.0 %	746,606	3.0 %	785,704	3.5 %
Securities transactions entered into but not settled at the balance sheet date	(195,875)	(0.7)%	(137,578)	(0.5)%	(148,725)	(0.6)%	(72,018)	(0.3)%	(68,747)	(0.3)%
Total investable assets held by the Company	<u>\$ 26,338,599</u>	<u>100.0 %</u>	<u>\$ 26,856,295</u>	<u>100.0 %</u>	<u>\$ 25,724,501</u>	<u>100.0 %</u>	<u>\$ 24,531,194</u>	<u>100.0 %</u>	<u>\$ 22,375,852</u>	<u>100.0 %</u>
Average effective duration (in years)	2.71		3.01		3.21		3.18		3.19	
Average S&P/Moody's credit ratings (5)	AA-/Aa3		AA/Aa2		AA/Aa2		AA/Aa2		AA/Aa2	
Embedded book yield (before investment expenses)	1.59 %		1.56 %		1.71 %		1.85 %		2.34 %	

(1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results. Such amounts are summarized as follows:

Investable assets in 'other' segment:					
Cash	\$ 236,164	\$ 211,451	\$ 195,333	\$ 107,653	\$ 96,580
Investments accounted for using the fair value option	1,880,770	1,790,385	1,937,036	1,886,676	1,732,086
Fixed maturities available for sale, at fair value	586,431	613,503	608,022	649,765	677,869
Equity securities, at fair value	62,314	52,410	52,807	62,443	63,169
Securities sold but not yet purchased	(34,097)	(21,679)	(24,909)	(29,289)	(30,076)
Securities transactions entered into but not settled at the balance sheet date	8,846	11,542	(74,837)	(35,958)	(37,039)
Total investable assets included in 'other' segment	<u>\$ 2,740,428</u>	<u>\$ 2,657,612</u>	<u>\$ 2,693,452</u>	<u>\$ 2,641,290</u>	<u>\$ 2,502,589</u>

(2) This table excludes the collateral received and reinvested and includes the securities pledged under securities lending agreements, at fair value.

(3) Included in "other investments" on the balance sheet.

(4) Changes in the carrying value of investment funds accounted for using the equity method are recorded as "equity in net income (loss) of investment funds accounted for using the equity method" rather than as an unrealized gain or loss component of accumulated other comprehensive income.

(5) Average credit ratings on the Company's investment portfolio on securities with ratings assigned by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's").

Arch Capital Group Ltd. and Subsidiaries
Investment Information — Composition of Net Investment Income, Yield and Total Return

The following table summarizes the Company's net investment income, yield and total return (1):

(U.S. Dollars in thousands, except share data)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Composition of net investment income (1):					
Fixed maturities	\$ 79,017	\$ 80,942	\$ 84,608	\$ 91,491	\$ 101,763
Equity securities (dividends)	5,650	9,695	6,659	6,023	5,630
Short-term investments	644	1,129	1,162	897	3,385
Other (2)	15,559	15,053	24,594	17,825	20,479
Gross investment income	100,870	106,819	117,023	116,236	131,257
Investment expenses	(22,141)	(18,827)	(17,166)	(15,205)	(18,229)
Net investment income	\$ 78,729	\$ 87,992	\$ 99,857	\$ 101,031	\$ 113,028
Per share	\$ 0.19	\$ 0.21	\$ 0.24	\$ 0.25	\$ 0.27
Investment income yield, at amortized cost (1) (3):					
Pre-tax	1.31 %	1.45 %	1.76 %	1.92 %	2.20 %
After-tax	1.14 %	1.26 %	1.57 %	1.68 %	1.91 %
Total return on investments (1) (4)	(0.18)%	2.46 %	2.30 %	3.72 %	(0.86)%

- (1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.
- (2) Amounts include dividends and other distributions on investment funds, term loan investments funds held balances, cash balances and other.
- (3) Presented on an annualized basis and excluding the impact of investments for which returns are not included within investment income, such as investments accounted for using the equity method and certain equities.
- (4) Total return on investments includes net investment income, equity in net income or loss of investment funds accounted for using the equity method, net realized gains and losses (excluding changes in allowance for credit losses on non-investment related financial assets) and the change in unrealized gains or losses and is calculated on a pre-tax basis and before investment expenses. See 'Comments on Regulation G' for a further discussion of the presentation of total return on investments.

Arch Capital Group Ltd. and Subsidiaries
Investment Information — Composition of Fixed Maturities

The following table summarizes the Company's fixed maturities and fixed maturities pledged under securities lending agreements (1):

(U.S. Dollars in thousands)

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains (Losses)	Allowance for Credit Losses	Amortized Cost	Fair Value / Amortized Cost	Fair Value % of Total
At March 31, 2021								
Corporates	\$ 8,233,771	\$ 238,003	\$ (80,196)	\$ 157,807	\$ (1,968)	\$ 8,077,932	101.9 %	44.2 %
U.S. government and government agencies	4,876,796	14,346	(30,300)	(15,954)	—	4,892,750	99.7 %	26.2 %
Municipal bonds	455,550	19,849	(4,814)	15,035	(2)	440,517	103.4 %	2.4 %
Non-U.S. government securities	2,287,921	118,874	(18,392)	100,482	(51)	2,187,490	104.6 %	12.3 %
Asset-backed securities	1,958,152	18,038	(4,099)	13,939	(878)	1,945,091	100.7 %	10.5 %
Commercial mortgage-backed securities	256,598	2,755	(1,721)	1,034	(5)	255,569	100.4 %	1.4 %
Residential mortgage-backed securities	558,584	7,065	(10,905)	(3,840)	(319)	562,743	99.3 %	3.0 %
Total	\$ 18,627,372	\$ 418,930	\$ (150,427)	\$ 268,503	\$ (3,223)	\$ 18,362,092	101.4 %	100.0 %
At December 31, 2020								
Corporates	\$ 8,039,745	\$ 405,071	\$ (30,666)	\$ 374,405	\$ (700)	\$ 7,666,040	104.9 %	42.8 %
U.S. government and government agencies	5,354,863	21,490	(12,587)	8,903	—	5,345,960	100.2 %	28.5 %
Municipal bonds	492,734	27,189	(3,835)	23,354	(11)	469,391	105.0 %	2.6 %
Non-U.S. government securities	2,310,157	143,054	(7,958)	135,096	—	2,175,061	106.2 %	12.3 %
Asset-backed securities	1,566,188	18,689	(7,635)	11,054	(1,090)	1,556,224	100.6 %	8.3 %
Commercial mortgage-backed securities	390,990	8,722	(2,954)	5,768	(122)	385,344	101.5 %	2.1 %
Residential mortgage-backed securities	616,619	8,934	(4,280)	4,654	(278)	612,243	100.7 %	3.3 %
Total	\$ 18,771,296	\$ 633,149	\$ (69,915)	\$ 563,234	\$ (2,201)	\$ 18,210,263	103.1 %	100.0 %

(1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.

Arch Capital Group Ltd. and Subsidiaries
Investment Information — Credit Quality Distribution and Maturity Profile

The following table summarizes the credit quality distribution and maturity profile of the Company's fixed maturities and fixed maturities pledged under securities lending agreements (1):

(U.S. Dollars in thousands)

	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
Credit quality distribution of total fixed maturities (2) (3):										
U.S. government and government agencies (4)	\$ 5,432,191	29.2 %	\$ 5,963,758	31.8 %	\$ 5,360,798	29.3 %	\$ 5,566,339	32.0 %	\$ 4,804,048	28.8 %
AAA	3,145,642	16.9 %	3,117,046	16.6 %	3,352,902	18.3 %	3,035,513	17.5 %	3,486,700	20.9 %
AA	2,069,764	11.1 %	2,063,738	11.0 %	2,087,245	11.4 %	1,818,693	10.5 %	1,994,127	12.0 %
A	3,878,113	20.8 %	3,760,280	20.0 %	3,895,053	21.3 %	4,232,245	24.3 %	3,937,053	23.6 %
BBB	2,829,202	15.2 %	2,699,201	14.4 %	2,542,233	13.9 %	1,874,332	10.8 %	1,565,912	9.4 %
BB	622,448	3.3 %	574,189	3.1 %	504,570	2.8 %	406,342	2.3 %	366,759	2.2 %
B	331,144	1.8 %	268,095	1.4 %	231,774	1.3 %	211,638	1.2 %	205,181	1.2 %
Lower than B	57,659	0.3 %	54,795	0.3 %	54,118	0.3 %	51,273	0.3 %	51,712	0.3 %
Not rated	261,209	1.4 %	270,194	1.4 %	265,787	1.5 %	195,290	1.1 %	271,893	1.6 %
Total fixed maturities, at fair value	<u>\$ 18,627,372</u>	<u>100.0 %</u>	<u>\$ 18,771,296</u>	<u>100.0 %</u>	<u>\$ 18,294,480</u>	<u>100.0 %</u>	<u>\$ 17,391,665</u>	<u>100.0 %</u>	<u>\$ 16,683,385</u>	<u>100.0 %</u>
Maturity profile of total fixed maturities (2):										
Due in one year or less	\$ 376,026	2.0 %	\$ 327,899	1.7 %	\$ 314,243	1.7 %	\$ 350,520	2.0 %	\$ 459,191	2.8 %
Due after one year through five years	10,913,524	58.6 %	10,424,114	55.5 %	9,744,246	53.3 %	9,730,262	55.9 %	9,381,924	56.2 %
Due after five years through ten years	4,054,083	21.8 %	4,901,382	26.1 %	4,861,677	26.6 %	4,342,055	25.0 %	3,416,637	20.5 %
Due after 10 years	510,405	2.7 %	544,104	2.9 %	602,120	3.3 %	467,099	2.7 %	555,462	3.3 %
	<u>15,854,038</u>	<u>85.1 %</u>	<u>16,197,499</u>	<u>86.3 %</u>	<u>15,522,286</u>	<u>84.8 %</u>	<u>14,889,936</u>	<u>85.6 %</u>	<u>13,813,214</u>	<u>82.8 %</u>
Mortgage-backed securities	558,584	3.0 %	616,619	3.3 %	703,393	3.8 %	593,799	3.4 %	449,024	2.7 %
Commercial mortgage-backed securities	256,598	1.4 %	390,990	2.1 %	375,510	2.1 %	396,813	2.3 %	781,417	4.7 %
Asset-backed securities	1,958,152	10.5 %	1,566,188	8.3 %	1,693,291	9.3 %	1,511,117	8.7 %	1,639,730	9.8 %
Total fixed maturities, at fair value	<u>\$ 18,627,372</u>	<u>100.0 %</u>	<u>\$ 18,771,296</u>	<u>100.0 %</u>	<u>\$ 18,294,480</u>	<u>100.0 %</u>	<u>\$ 17,391,665</u>	<u>100.0 %</u>	<u>\$ 16,683,385</u>	<u>100.0 %</u>

(1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.

(2) This table excludes the collateral received and reinvested and includes the fixed maturities pledged under securities lending agreements, at fair value.

(3) For individual fixed maturities, S&P ratings are used. In the absence of an S&P rating, ratings from Moody's are used, followed by ratings from Fitch Ratings.

(4) Includes U.S. government-sponsored agency mortgage backed securities and agency commercial mortgage backed securities.

Arch Capital Group Ltd. and Subsidiaries
Investment Information — Analysis of Corporate Exposures

The following table summarizes the Company's corporate bonds by sector (1):

(U.S. Dollars in thousands)	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
Sector:										
Industrials	\$ 4,744,615	57.6 %	\$ 4,940,996	61.5 %	\$ 5,303,089	65.2 %	\$ 4,650,615	63.6 %	\$ 3,903,927	58.5 %
Financials	2,868,957	34.8 %	2,432,719	30.3 %	2,156,871	26.5 %	2,164,859	29.6 %	2,400,415	35.9 %
Utilities	521,551	6.3 %	584,869	7.3 %	562,939	6.9 %	409,778	5.6 %	321,022	4.8 %
Covered bonds	2,029	0.0 %	2,013	0.0 %	2,072	0.0 %	1,974	0.0 %	2,662	0.0 %
All other (2)	96,619	1.2 %	79,148	1.0 %	112,611	1.4 %	82,190	1.1 %	49,981	0.7 %
Total	\$ 8,233,771	100.0 %	\$ 8,039,745	100.0 %	\$ 8,137,582	100.0 %	\$ 7,309,416	100.0 %	\$ 6,678,007	100.0 %
Credit quality distribution (3):										
AAA	\$ 151,195	1.8 %	\$ 220,584	2.7 %	\$ 291,154	3.6 %	\$ 76,923	1.1 %	\$ 86,420	1.3 %
AA	961,880	11.7 %	995,742	12.4 %	1,068,945	13.1 %	894,495	12.2 %	982,202	14.7 %
A	3,431,522	41.7 %	3,313,349	41.2 %	3,478,591	42.7 %	3,834,480	52.5 %	3,480,871	52.1 %
BBB	2,684,300	32.6 %	2,574,823	32.0 %	2,427,829	29.8 %	1,773,620	24.3 %	1,451,807	21.7 %
BB	582,086	7.1 %	540,397	6.7 %	478,445	5.9 %	388,112	5.3 %	348,848	5.2 %
B	312,362	3.8 %	258,035	3.2 %	224,644	2.8 %	205,342	2.8 %	198,828	3.0 %
Lower than B	33,667	0.4 %	30,625	0.4 %	30,423	0.4 %	27,865	0.4 %	22,869	0.3 %
Not rated	76,759	0.9 %	106,190	1.3 %	137,551	1.7 %	108,579	1.5 %	106,162	1.6 %
Total	\$ 8,233,771	100.0 %	\$ 8,039,745	100.0 %	\$ 8,137,582	100.0 %	\$ 7,309,416	100.0 %	\$ 6,678,007	100.0 %

- (1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.
(2) Includes sovereign securities, supranational securities and other.
(3) For individual fixed maturities, S&P ratings are used. In the absence of an S&P rating, ratings from Moody's are used, followed by ratings from Fitch Ratings.

The following table summarizes the Company's top ten exposures to fixed income corporate issuers by fair value at March 31, 2021 (1):

(U.S. Dollars in thousands)	Fair Value	% of Asset Class	% of Investable Assets	Credit Quality (2)
Issuer:				
JPMorgan Chase & Co.	\$ 389,799	4.7 %	1.5 %	A-/A2
Bank of America Corporation	312,603	3.8 %	1.2 %	A-/A2
Wells Fargo & Company	237,410	2.9 %	0.9 %	BBB+/A2
Citigroup Inc.	231,573	2.8 %	0.9 %	BBB+/A3
Morgan Stanley	214,190	2.6 %	0.8 %	BBB+/A1
The Goldman Sachs Group, Inc.	174,407	2.1 %	0.7 %	BBB+/A2
Nestlé S.A.	158,152	1.9 %	0.6 %	AA-/Aa3
Apple Inc.	131,135	1.6 %	0.5 %	AA+/Aa1
Chevron Corporation	110,767	1.3 %	0.4 %	AA-/Aa2
AT&T Inc.	103,918	1.3 %	0.4 %	BBB/Baa2
Total	\$ 2,063,954	25.1 %	7.8 %	

- (1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.
(2) Average credit ratings assigned by S&P and Moody's, respectively.

Arch Capital Group Ltd. and Subsidiaries
Investment Information — Structured Securities

The following table provides the composition of the Company's structured securities at March 31, 2021 (1):

(U.S. Dollars in thousands)

	<u>Agencies</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Non-Investment Grade</u>	<u>Total</u>
Residential mortgage-backed securities	\$ 525,144	\$ 1,262	\$ 310	\$ —	\$ 55	\$ 31,813	\$ 558,584
Commercial mortgage-backed securities	30,251	172,991	5,098	13,741	9,302	25,215	256,598
Asset-backed securities	—	1,241,394	141,043	301,948	80,689	193,078	1,958,152
Total	\$ 555,395	\$ 1,415,647	\$ 146,451	\$ 315,689	\$ 90,046	\$ 250,106	\$ 2,773,334

(1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.

Arch Capital Group Ltd. and Subsidiaries
Comments on Regulation G

Throughout this financial supplement, the Company presents its operations in the way it believes will be the most meaningful and useful to investors, analysts, rating agencies and others who use the Company's financial information in evaluating the performance of the Company. This presentation includes the use of after-tax operating income available to Arch common shareholders, which is defined as net income available to Arch common shareholders, excluding net realized gains or losses (which includes changes in the allowance for credit losses on financial assets and net impairment losses recognized in earnings), equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses, and transaction costs and other, net of income taxes, and the use of annualized operating return on average common equity. The presentation of after-tax operating income available to Arch common shareholders and annualized operating return on average common equity are non-GAAP financial measures as defined in Regulation G. The reconciliation of such measures to net income available to Arch common shareholders and annualized return on average common equity (the most directly comparable GAAP financial measures) in accordance with Regulation G is included on the following page.

The Company believes that net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other in any particular period are not indicative of the performance of, or trends in, the Company's business performance. Although net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses are an integral part of the Company's operations, the decision to realize investment gains or losses, the recognition of the change in the carrying value of investments accounted for using the fair value option in net realized gains or losses, the recognition of equity in net income or loss of investment funds accounted for using the equity method and the recognition of foreign exchange gains or losses are independent of the insurance underwriting process and result, in large part, from general economic and financial market conditions. Furthermore, certain users of the Company's financial information believe that, for many companies, the timing of the realization of investment gains or losses is largely opportunistic. In addition, changes in the allowance for credit losses and net impairment losses recognized in earnings on the Company's investments represent other-than-temporary declines in expected recovery values on securities without actual realization. The use of the equity method on certain of the Company's investments in certain funds that invest in fixed maturity securities is driven by the ownership structure of such funds (either limited partnerships or limited liability companies). In applying the equity method, these investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of the net income or loss of the funds (which include changes in the fair value of the underlying securities in the funds). This method of accounting is different from the way the Company accounts for its other fixed maturity securities and the timing of the recognition of equity in net income or loss of investment funds accounted for using the equity method may differ from gains or losses in the future upon sale or maturity of such investments. Transaction costs and other include advisory, financing, legal, severance, incentive compensation and other transaction costs related to acquisitions and Watford's non-recurring listing expenses. The Company believes that transaction costs and other, due to their non-recurring nature, are not indicative of the performance of, or trends in, the Company's business performance. Due to these reasons, the Company excludes net realized gains or losses, equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other from the calculation of after-tax operating income or loss available to Arch common shareholders.

The Company believes that showing net income available to Arch common shareholders exclusive of the items referred to above reflects the underlying fundamentals of the Company's business since the Company evaluates the performance of and manages its business to produce an underwriting profit. In addition to presenting net income available to Arch common shareholders, the Company believes that this presentation enables investors and other users of the Company's financial information to analyze the Company's performance in a manner similar to how the Company's management analyzes performance. The Company also believes that this measure follows industry practice and, therefore, allows the users of the Company's financial information to compare the Company's performance with its industry peer group. The Company believes that the equity analysts and certain rating agencies which follow the Company and the insurance industry as a whole generally exclude these items from their analyses for the same reasons.

In addition, the Company's presentation includes the use of information prepared on a 'core' basis, which excludes amounts related to the 'other' segment (i.e., results of Watford). Information provided on a 'core' basis are non-GAAP financial measures as defined in Regulation G. Pursuant to generally accepted accounting principles, Watford is considered a variable interest entity and the Company concluded that it is the primary beneficiary of Watford. As such, the Company consolidates the results of Watford in its consolidated financial statements, although it only owns approximately 10% of Watford's outstanding common equity. Watford has its own management and board of directors that is responsible for its own results and profitability. In addition, the Company does not guarantee or provide credit support for Watford. Because Watford is an independent company, the assets of Watford can be used only to settle obligations of Watford and Watford is solely responsible for its own liabilities and commitments. The Company's financial exposure to Watford is limited to its investment in Watford's senior notes, common and preferred shares and counterparty credit risk (mitigated by collateral) arising from the reinsurance transactions. The Company believes that presenting information on a 'core' basis enables investors and other users of the Company's financial information to analyze the Company's performance in a manner similar to how the Company's management analyzes performance. See "Segment Information" for a further discussion of segment results and a reconciliation of core and consolidated results.

The Company's segment information includes the presentation of consolidated underwriting income or loss and a subtotal of underwriting income or loss on a 'core' basis. Such measures represent the pre-tax profitability of the Company's underwriting operations and include net premiums earned plus other underwriting income, less losses and loss adjustment expenses, acquisition expenses and other operating expenses. Other operating expenses include those operating expenses that are incremental and/or directly attributable to the Company's individual underwriting operations. Underwriting income or loss does not incorporate items included in the Company's corporate (non-underwriting) segment. While these measures are presented in the Segment Information footnote to the Company's Consolidated Financial Statements, they are considered non-GAAP financial measures when presented elsewhere on a consolidated basis. The reconciliations of underwriting income or loss to income before income taxes (the most directly comparable GAAP financial measure) on a consolidated basis and a 'core' basis, in accordance with Regulation G, is shown on pages 10 to 11.

In addition, the Company's segment information includes the use of a combined ratio excluding catastrophic activity and prior year development, for the insurance and reinsurance segments, and a combined ratio excluding prior year development, for the mortgage segment. These ratios are non-GAAP financial measures as defined in Regulation G. The reconciliation of such measures to the combined ratio (the most directly comparable GAAP financial measure) in accordance with Regulation G are shown on the individual segment pages. The Company's management utilizes the adjusted combined ratios excluding current accident year catastrophic events and favorable or adverse development in prior year loss reserves in its analysis of the underwriting performance of each of its underwriting segments.

Total return on investments includes investment income, equity in net income or loss of investment funds accounted for using the equity method, net realized gains and losses (excluding changes in the allowance for credit losses on non-investment related financial assets) and the change in unrealized gains and losses generated by Arch's investment portfolio. Total return is calculated on a pre-tax basis and before investment expenses, excludes amounts reflected in the 'other' segment, and reflects the effect of financial market conditions along with foreign currency fluctuations. Management uses total return on investments as a key measure of the return generated to Arch common shareholders, and compares the return generated by the Company's investment portfolio against benchmark returns during the periods presented.

Arch Capital Group Ltd. and Subsidiaries
Operating Income Reconciliation and Annualized Operating Return on Average Common Equity

The following table summarizes the Company's consolidated financial data, including a reconciliation of net income (loss) available to Arch common shareholders to after-tax operating income (loss) available to Arch common shareholders and related diluted per share results. Each line item reflects the impact of the Company's ownership of Watford's outstanding common equity:

(U.S. Dollars in thousands, except share data)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net income available to Arch common shareholders	\$ 427,753	\$ 533,141	\$ 408,636	\$ 288,418	\$ 133,714
Net realized (gains) losses	(105,551)	(297,801)	(219,726)	(406,645)	109,364
Equity in net (income) loss of investment funds accounted for using the equity method	(71,686)	(89,286)	(126,735)	65,119	4,209
Net foreign exchange (gains) losses	(21,332)	63,588	39,462	42,032	(64,491)
Transaction costs and other	1,274	4,718	1,674	977	2,595
Income tax expense (benefit) (1)	9,311	16,057	17,010	26,713	4,365
After-tax operating income available to Arch common shareholders	\$ 239,769	\$ 230,417	\$ 120,321	\$ 16,614	\$ 189,756
Diluted per common share results:					
Net income available to Arch common shareholders	\$ 1.05	\$ 1.30	\$ 1.00	\$ 0.71	\$ 0.32
Net realized (gains) losses	(0.25)	(0.72)	(0.54)	(1.00)	0.27
Equity in net (income) loss of investment funds accounted for using the equity method	(0.18)	(0.22)	(0.31)	0.16	0.01
Net foreign exchange (gains) losses	(0.05)	0.15	0.10	0.10	(0.16)
Transaction costs and other	0.00	0.01	0.00	0.00	0.01
Income tax expense (benefit) (1)	0.02	0.04	0.04	0.07	0.01
After-tax operating income available to Arch common shareholders	\$ 0.59	\$ 0.56	\$ 0.29	\$ 0.04	\$ 0.46
Weighted average common shares and common share equivalents outstanding - diluted	409,223,253	410,281,852	409,194,657	408,119,681	414,033,570
Beginning common shareholders' equity	\$ 12,325,886	\$ 11,671,997	\$ 11,211,825	\$ 10,587,244	\$ 10,717,371
Ending common shareholders' equity	12,316,472	12,325,886	11,671,997	11,211,825	10,587,244
Average common shareholders' equity	\$ 12,321,179	\$ 11,998,942	\$ 11,441,911	\$ 10,899,535	\$ 10,652,308
Annualized return on average common equity	13.9 %	17.8 %	14.3 %	10.6 %	5.0 %
Annualized operating return on average common equity	7.8 %	7.7 %	4.2 %	0.6 %	7.1 %

- (1) Income tax expense on net realized gains or losses (which includes changes in the allowance for credit losses on financial assets and 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 and transaction costs and other reflects the relative mix reported by jurisdiction and the varying tax rates in each jurisdiction.

Arch Capital Group Ltd. and Subsidiaries
Operating Income and Effective Tax Rate Calculations

The following table provides a reconciliation of income (loss) before income taxes to after-tax operating income (loss) available to Arch common shareholders and an analysis of the effective tax rate on pre-tax operating income (loss) available to Arch common shareholders:

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Arch Operating Income Components (1):					
Income (loss) before income taxes and income (loss) from operating affiliates	\$ 397,244	\$ 560,146	\$ 432,896	\$ 305,647	\$ 197,437
Net realized (gains) losses	(101,336)	(289,817)	(210,984)	(385,089)	72,109
Equity in net (income) loss of investment funds accounted for using the equity method	(71,686)	(89,286)	(126,735)	65,119	4,209
Net foreign exchange (gains) losses	(21,505)	62,349	38,681	42,438	(63,307)
Transaction costs and other	1,390	3,086	792	43	2,538
Income (loss) from operating affiliates	75,457	10,504	919	(3,173)	8,516
Pre-tax operating income	279,564	256,982	135,569	24,985	221,502
Arch share of 'other' segment operating income (loss) (2)	198	1,526	1,792	1,798	2,237
Pre-tax operating income available to Arch (b)	279,762	258,508	137,361	26,783	223,739
Income tax expense (a)	(29,590)	(17,688)	(6,637)	234	(23,580)
After-tax operating income available to Arch	250,172	240,820	130,724	27,017	200,159
Preferred dividends	(10,403)	(10,403)	(10,403)	(10,403)	(10,403)
After-tax operating income available to Arch common shareholders	\$ 239,769	\$ 230,417	\$ 120,321	\$ 16,614	\$ 189,756
Effective tax rate on pre-tax operating income (loss) available to Arch (a)/(b)	10.6 %	6.8 %	4.8 %	(0.9)%	10.5 %

(1) Line items are presented on a 'core' basis, excluding amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.

(2) Balances in the 'other' segment and a calculation of Arch's share of the 'other' segment operating income (loss) is as follows:

(U.S. Dollars in thousands)

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Balances in 'other' segment:					
Underwriting income (loss)	\$ (13,079)	\$ (8,555)	\$ (8,273)	\$ (9,129)	\$ (6,010)
Net investment income	20,127	26,466	28,655	30,454	32,125
Interest expense	(4,149)	(4,804)	(5,119)	(6,009)	(7,310)
Preferred dividends	(972)	(992)	(993)	(1,036)	(1,096)
Pre-tax operating income (loss) available to common shareholders	1,927	12,115	14,270	14,280	17,709
Arch ownership	10 %	13 %	13 %	13 %	13 %
Arch share of 'Other' segment operating income (loss) (3)	\$ 198	\$ 1,526	\$ 1,792	\$ 1,798	\$ 2,237

(3) Excludes amounts attributable to net realized gains or losses and net foreign exchange gains or losses in the 'other' segment (see 'Segment Information').

Arch Capital Group Ltd. and Subsidiaries
Capital Structure and Share Repurchase Activity

The following table provides an analysis of the Company's capital structure (1):

(U.S. Dollars in thousands, except share data)

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Debt:					
Arch Capital senior notes, due May 1, 2034 (\$300,000 principal, 7.35%)	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Arch-U.S. senior notes, due Nov. 1, 2043 (\$500,000 principal, 5.144%) (2)	500,000	500,000	500,000	500,000	500,000
Arch Finance senior notes, due December 15, 2026 (\$500,000 principal, 4.011%) (3)	500,000	500,000	500,000	500,000	500,000
Arch Finance senior notes, due December 15, 2046 (\$450,000 principal, 5.031%) (3)	450,000	450,000	450,000	450,000	450,000
Arch Capital senior notes, due June 30, 2050 (\$1,000,000 principal, 3.635%)	1,000,000	1,000,000	1,000,000	1,000,000	—
Deferred debt costs on senior notes	(26,340)	(26,577)	(26,811)	(26,820)	(15,616)
Revolving credit agreement borrowings, due October 26, 2021 (variable)	—	—	—	—	—
Total debt	\$ 2,723,660	\$ 2,723,423	\$ 2,723,189	\$ 2,723,180	\$ 1,734,384
Shareholders' equity available to Arch:					
Series E non-cumulative preferred shares (5.25%)	450,000	450,000	450,000	450,000	450,000
Series F non-cumulative preferred shares (5.45%)	330,000	330,000	330,000	330,000	330,000
Common shareholders' equity (a)	12,316,472	12,325,886	11,671,997	11,211,825	10,587,244
Total shareholders' equity available to Arch	\$ 13,096,472	\$ 13,105,886	\$ 12,451,997	\$ 11,991,825	\$ 11,367,244
Total capital available to Arch	\$ 15,820,132	\$ 15,829,309	\$ 15,175,186	\$ 14,715,005	\$ 13,101,628
Common shares outstanding, net of treasury shares (b)	403,313,377	406,720,642	406,018,958	405,970,251	405,609,867
Book value per common share (4) (a)/(b)	\$ 30.54	\$ 30.31	\$ 28.75	\$ 27.62	\$ 26.10
Leverage ratios:					
Senior notes/total capital available to Arch	17.2 %	17.2 %	17.9 %	18.5 %	13.2 %
Revolving credit agreement borrowings/total capital available to Arch	— %	— %	— %	— %	— %
Debt/total capital available to Arch	17.2 %	17.2 %	17.9 %	18.5 %	13.2 %
Preferred/total capital available to Arch	4.9 %	4.9 %	5.1 %	5.3 %	6.0 %
Debt and preferred/total capital available to Arch	22.1 %	22.1 %	23.1 %	23.8 %	19.2 %

- (1) Presented on a 'core' basis which excludes amounts related to the 'other' segment (*i.e.*, results of Watford). See 'Comments on Regulation G' for a further discussion of the presentation of 'core' results.
(2) Issued by Arch Capital Group (U.S.) Inc. ("Arch-U.S."), a wholly owned subsidiary of Arch Capital, and fully and unconditionally guaranteed by Arch Capital.
(3) Issued by Arch Capital Finance LLC ("Arch Finance"), a wholly owned subsidiary of Arch U.S. MI Holdings Inc., and fully and unconditionally guaranteed by Arch Capital.
(4) Excludes the effects of stock options, restricted and performance stock units outstanding.

The following table provides the impact of share repurchases under the Company's share repurchase program:

(U.S. Dollars in thousands except share data)

	Three Months Ended					Cumulative
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	March 31, 2021
Effect of share repurchases:						
Aggregate cost of shares repurchased	\$ 179,266	\$ 7,986	\$ —	\$ —	\$ 75,486	\$ 4,231,032
Shares repurchased	5,308,319	250,714	—	—	2,599,388	394,500,401
Average price per share repurchased	\$ 33.77	\$ 31.85	\$ —	\$ —	\$ 29.04	\$ 10.73
Remaining share repurchase authorization (1)						\$ 737,262

- (1) Repurchases under the share repurchase authorization may be effected from time to time in open market or privately negotiated transactions through December 31, 2021.