



ARCH REINSURANCE LTD. AND SUBSIDIARIES

(a wholly-owned subsidiary of Arch Capital Group Ltd.)

Consolidated Financial Statements

December 31, 2025 and 2024

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Report of Independent Auditors

To the Board of Directors of Arch Reinsurance Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Arch Reinsurance Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, of comprehensive income, of changes in shareholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the incurred and paid loss development for the years ended December 31, 2016 to December 31, 2024 on pages 28 to 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



New York, New York
April 2, 2026

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

	December 31,	
	2025	2024
Assets		
Investments:		
Fixed maturities available for sale, at fair value (amortized cost: \$32,329 and \$27,570; net of allowance for credit losses: \$20 and \$22)	\$ 32,426	\$ 27,035
Short-term investments available for sale, at fair value (amortized cost: \$2,572 and \$2,720)	2,574	2,720
Equity securities, at fair value	1,864	1,675
Other Investments (portion measured at fair value: \$3,136 and \$3,066)	3,136	3,066
Investments accounted for using the equity method	6,453	5,980
Total investments	46,453	40,476
Cash	961	936
Accrued investment income	338	298
Investment in operating affiliates	1,311	1,237
Premiums receivable (net of allowance for credit losses: \$43 and \$45)	5,723	5,634
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses (net of allowance for credit losses: \$17 and \$17)	9,526	8,260
Contractholder receivables (Net of allowance for credit losses: \$7 and \$5)	2,270	2,161
Ceded unearned premiums	2,659	2,428
Deferred acquisition costs	1,717	1,734
Receivable for securities sold	180	50
Goodwill and intangible assets	1,222	1,351
Other assets	6,620	6,169
Total assets	\$ 78,980	\$ 70,734
Liabilities		
Reserve for losses and loss adjustment expenses	\$ 33,547	\$ 29,369
Unearned premiums	10,100	10,218
Reinsurance balances payable	2,320	2,137
Contractholder payables	2,277	2,165
Collateral held for insured obligations	237	249
Senior notes	1,441	1,441
Payable for securities purchased	308	181
Other liabilities	3,518	2,975
Total liabilities	53,748	48,735
Commitments and Contingencies (refer to Note 16)		
Redeemable preferred shares	111	111
Shareholder's Equity		
Common shares (\$1.00 par, shares authorized: 2,625,000, issued: 2,549,323)	3	3
Additional paid-in capital	6,441	6,349
Retained earnings	18,671	16,255
Accumulated other comprehensive income (loss), net of deferred income tax	6	(719)
Total shareholder's equity	25,121	21,888
Total liabilities and shareholder's equity	\$ 78,980	\$ 70,734

ARCH REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(U.S. dollars in millions)

	Year Ended December 31,	
	2025	2024
Revenues		
Net premiums earned	\$ 17,065	\$ 15,100
Net investment income	1,611	1,489
Net realized gains (losses)	474	201
Other underwriting income	217	26
Equity in net income of investment funds accounted for using the equity method	504	580
Other income (loss)	54	42
Total revenues	19,925	17,438
Expenses		
Losses and loss adjustment expenses	9,370	8,342
Acquisition expenses	3,153	2,651
Other operating expenses	1,902	1,558
Amortization of intangible assets	193	235
Interest expense	89	82
Net foreign exchange (gains) losses	130	(75)
Total expenses	14,837	12,793
Income before income taxes and income (loss) from operating affiliates	5,088	4,645
Income taxes:		
Current tax expense (benefit)	623	396
Deferred tax expense (benefit)	192	(35)
Income tax expense	815	361
Income (loss) from operating affiliates	181	201
Net income available to Arch	\$ 4,454	\$ 4,485
Preferred dividends	(1)	(1)
Net income available to Arch common shareholders	\$ 4,453	\$ 4,484

See Notes to Consolidated Financial Statements

ARCH REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(U.S. dollars in millions)

	Year Ended December 31,	
	2025	2024
Comprehensive Income		
Net income	\$ 4,454	\$ 4,485
Other comprehensive income (loss), net of deferred income tax		
Unrealized appreciation (decline) in value of available-for-sale investments:		
Unrealized holding gains (losses) arising during period	659	(23)
Reclassification of net realized gains (losses), net of income taxes, included in net income	(18)	81
Foreign currency translation adjustments	84	(102)
Comprehensive income available to Arch	\$ 5,179	\$ 4,441

ARCH REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(U.S. dollars in millions)

	Year Ended December 31,	
	2025	2024
Common shares		
Balance at beginning and end of year	\$ 3	\$ 3
Additional paid-in capital		
Balance at beginning of year	6,349	5,819
Amortization of share-based compensation	98	89
Other	(6)	441
Balance at end of year	6,441	6,349
Retained earnings		
Balance at beginning of year	16,255	14,301
Net income	4,454	4,485
Preferred share dividends	(1)	(1)
Dividends paid to parent	(2,037)	(2,530)
Balance at end of year	18,671	16,255
Accumulated other comprehensive income (loss)		
Balance at beginning of year	(719)	(675)
Unrealized appreciation (decline) in value of available-for-sale investments, net of deferred income tax:		
Balance at beginning of year	(505)	(563)
Unrealized holding gains (losses) arising during period, net of reclassification adjustment	641	58
Balance at end of year	136	(505)
Foreign currency translation adjustments, net of deferred income tax:		
Balance at beginning of year	(214)	(112)
Foreign currency translation adjustments	84	(102)
Balance at end of year	(130)	(214)
Balance at end of year	6	(719)
Total shareholder's equity	\$ 25,121	\$ 21,888

ARCH REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in millions)

	Year Ended December 31,	
	2025	2024
Operating Activities		
Net income	\$ 4,454	\$ 4,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized (gains) losses	(450)	(184)
Equity in net (income) or loss of investment funds accounted for using the equity method and other income or loss	(460)	(490)
Amortization of intangible assets	193	235
Share-based compensation	98	90
Changes in:		
Reserve for losses and loss adjustment expenses, net of unpaid losses and loss adjustment expenses recoverable	2,350	3,279
Unearned premiums, net of ceded unearned premiums	(589)	632
Premiums receivable	38	(818)
Deferred acquisition costs	86	(212)
Reinsurance balances payable	137	179
Deferred income tax assets, net	192	(35)
Other items, net	297	(372)
Net Cash provided by operating activities	<u>6,346</u>	<u>6,789</u>
Investing Activities		
Purchases of fixed maturity investments	(36,480)	(31,290)
Purchases of equity securities	(1,448)	(1,423)
Purchases of other investments	(2,238)	(3,485)
Proceeds from sales of fixed maturity investments	29,313	26,245
Proceeds from sales of equity securities	1,507	1,101
Proceeds from sales, redemptions and maturities of other investments	2,186	1,858
Proceeds from redemptions and maturities of fixed maturity investments	2,494	2,036
Net settlements of derivative instruments	310	(5)
Net (purchases) sales of short-term investments	245	(242)
Acquisitions, net of cash	—	1,302
Purchases of fixed assets	(42)	(45)
Other	106	(30)
Net cash used For investing activities	<u>(4,047)</u>	<u>(3,978)</u>
Financing Activities		
Dividends paid to parent	(2,037)	(2,530)
Preferred dividends paid	(1)	(1)
Other	(4)	(2)
Net Cash used for financing activities	<u>(2,042)</u>	<u>(2,533)</u>
Effects of exchange rate changes on foreign currency cash and restricted cash	61	(25)
Increase (decrease) in cash and restricted cash	318	253
Cash and restricted cash, beginning of year	1,716	1,463
Cash and restricted cash, end of year	<u>\$ 2,034</u>	<u>\$ 1,716</u>
Income taxes paid (received)	<u>\$ 458</u>	<u>\$ 377</u>
Interest paid	<u>\$ 69</u>	<u>\$ 69</u>

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Arch Reinsurance Ltd. (“Arch Re Bermuda”) is a Bermuda limited liability company, incorporated in May 2001 in Bermuda, and is a wholly owned subsidiary of Arch Capital Group Ltd. (“Arch Capital”), a Bermuda exempted public limited liability company. Under The Insurance Act 1978, as amended, and related regulations of Bermuda (the “Insurance Act”), Arch Re Bermuda is dual-licensed as a Class 4 general business insurer and Class C long-term insurer and is licensed to underwrite both general and long-term business on an insurance and reinsurance basis. Arch Re Bermuda and its subsidiaries provide insurance, reinsurance and mortgage insurance on a worldwide basis. As used in this report, references to “we,” “us,” “our,” “Arch” or the “Company” refer to the consolidated operations of Arch Re Bermuda and its subsidiaries.

Operations

Insurance Operations. The Company’s insurance operations are conducted in Bermuda, the United States, the United Kingdom, Europe, Canada and Australia. The insurance operations in Bermuda are conducted through Arch Insurance (Bermuda), a division of Arch Re Bermuda. In the U.S., the Company’s insurance subsidiaries are Arch Insurance Company (“Arch Insurance”), Arch Specialty Insurance Company (“Arch Specialty”), Arch Indemnity Insurance Company (“Arch Indemnity Insurance”), Arch Property Casualty Insurance Company (“Arch PC”), and Arch Wilsure Insurance Company (“Arch Wilsure”). Arch Insurance is an admitted insurer in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. Arch Specialty is an approved excess and surplus lines insurer in 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands and an authorized insurer in one state. Arch Indemnity Insurance is an admitted insurer in 50 states and the District of Columbia. Arch PC, which is not currently writing business, is an admitted insurer in 46 states and the District of Columbia and is filing applications for admission in all remaining states where it is not yet admitted. Arch Wilsure is an admitted insurer in all 50 states and the District of Columbia. The insurance group also operates McNeil & Company, Inc. (“McNeil”), a specialized risk manager and a program administrator acquired in 2018 based in Cortland, New York. The headquarters for the insurance group’s U.S. support operations (excluding underwriting units) are in Jersey City, New Jersey. The insurance operations have offices throughout the U.S., including five regional offices located in Alpharetta, Georgia; Chicago, Illinois; New York, New York; San Francisco, California; Dallas, Texas and additional branch offices.

On August 1, 2024, the Company completed the acquisition of Allianz’s U.S. Middle Market Property & Casualty Insurance and U.S. Entertainment Property and Casualty Insurance Business (“MCE Acquisition”). This business is written by Fireman’s Fund Insurance Company, an affiliate of Allianz, and its subsidiaries (collectively, the “Business Entities”), in each case, relating to relevant policies with accident years 2016 and onwards (collectively, the “Business”), as well as certain assets of Allianz and its affiliates related to the Business. In connection with the acquisition of the Business, the Company also entered into certain reinsurance agreements relating to the Business and the Business Entities and other agreements providing for administration and other services for the Business Entities by the Company for the applicable policies being reinsured following the closing. The acquisition of the Business is an important part of the Company’s growth strategy, and provides a ballast to our existing insurance business. It further enhances the Company’s capabilities in the U.S. middle markets and represents an attractive way to enter the entertainment insurance market, a new niche for us.

The insurance group’s operations in Canada are conducted through Arch Insurance Canada Ltd. (“Arch Insurance Canada”), a Canada domestic company which is authorized in all Canadian provinces and territories. Arch Insurance Canada is headquartered in Toronto, Ontario. In 2019, Arch Insurance (EU) Designated Activity Company (“Arch Insurance (EU)”), headquartered in Dublin, Ireland, received authorization from the Central Bank of Ireland (“CBI”) to expand its authorized classes of business as part of the Company’s plan to address the U.K.’s departure from the European Union (“Brexit”). At the end of 2020, Arch Insurance (U.K.) Limited (“Arch Insurance (U.K.)”) received court approval in the U.K. to transfer its legacy book of business written in the European Economic Area (“EEA”) to Arch Insurance (EU) under Part VII of the U.K. Financial Services and Market Act 2000. Starting in 2021, all of the insurance business in the European Union (“EU”) previously written by Arch Insurance (U.K.) is now written through Arch Insurance (EU). Arch Insurance (EU) has branches in Italy, France, Spain, the Netherlands and the U.K.

In November 2019, the Company closed the acquisition of Barbican Group Holdings Limited and its subsidiaries (“Barbican”). Following the acquisition, the Company conducts its insurance operations on several platforms in the U.K., including Arch Insurance (U.K.) and our Lloyd’s syndicates: Arch Syndicate 2012 (“Arch Syndicate 2012”) and Arch Syndicate 1955 (“Arch Syndicate 1955”) and, together with Arch Syndicate 2012, our “Lloyd’s Syndicates”). Arch Managing Agency Limited (“AMAL”) is the managing agent of our Lloyd’s Syndicates. These operations provide us access to Lloyd’s extensive distribution network

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

and worldwide licenses. AMAL also acts as managing agent for third party members of Arch Syndicate 1955. Arch Underwriting at Lloyd's (Australia) Pty Ltd, based in Sydney, Australia, is a Lloyd's services company which underwrites exclusively for our Lloyd's Syndicates. Collectively, the U.K. insurance operations are referred to as "Arch U.K." Arch U.K. conducts its operations from London and other locations in the U.K. In May 2024, we completed the sale of Castel Underwriting Agencies Limited, a managing general agency in the U.K. that we acquired as part of the Barbican acquisition.

Reinsurance Operations. The Company's reinsurance operations are conducted on a worldwide basis through the following reinsurance subsidiaries: Arch Re Bermuda, Arch Reinsurance Company ("Arch Re U.S."), our Lloyd's Syndicates, and Arch Reinsurance Europe Underwriting Designated Activity Company ("Arch Re Europe"). Arch Re Bermuda is dual-licensed as a Class 4 general business insurer and Class C long-term insurer and is headquartered in Hamilton, Bermuda. Arch Re Bermuda has been approved as a "certified reinsurer" in the U.S., which allows reduced collateral for reinsurance ceded to such reinsurers. Arch Re Bermuda has also been approved in the U.S. as a "reciprocal jurisdiction reinsurer," which allows ceding companies to eliminate regulatory collateral requirements for reinsurance ceded to such reinsurers and still take credit for that reinsurance. In October 2024, the U.S. Department of the Treasury, Bureau of Fiscal Services ("BFS") recognized Arch Re Bermuda as an "Alien Reinsurer" (except on excess risks running to the U.S.), which allows T-Listed ceding companies to eliminate regulatory collateral requirements under the U.S. Treasury rules. Arch Re U.S. is licensed or is an accredited or otherwise approved reinsurer in 50 states, the District of Columbia and Puerto Rico, and the provinces of Ontario and Quebec in Canada with its principal U.S. office in Morristown, New Jersey. Treaty and facultative operations in Canada are conducted through the Canadian branch of Arch Re U.S. ("Arch Re Canada"). Arch Re U.S. is also an authorized insurer in Guam. The property facultative reinsurance operations are conducted primarily through Arch Re U.S. The property facultative reinsurance operations have offices throughout the U.S., Canada, Europe and the U.K. Arch Re Europe, licensed and authorized as a non-life reinsurer and a life reinsurer, is headquartered in Dublin, Ireland. AMAL is the managing agent for the reinsurance operations of our Lloyd's Syndicates. Arch Group Reinsurance Ltd. ("AGRL"), formed in December 2022, is a registered Class 3A general business insurer carrying on affiliated reinsurance business pursuant to the Insurance Act of 1978 of Bermuda. AGRL, a wholly owned subsidiary of Arch-U.S., was established to provide internal reinsurance covering certain U.S. lines of business. AGRL is a U.S. taxpayer through a section 953(d) voluntary election under the Internal Revenue Code of 1986, as amended.

Mortgage Operations. The Company's mortgage operations include mortgage insurance and reinsurance in the U.S. and internationally, as well as participation in government sponsored enterprise ("GSE") credit risk-sharing transactions. The Company's mortgage group includes direct mortgage insurance in the U.S. primarily through Arch Mortgage Insurance Company ("AMIC"), United Guaranty Residential Insurance Company ("UGRIC") and Arch Mortgage Guaranty Company ("AMG" and together with AMIC and UGRIC, "Arch MI U.S."); mortgage reinsurance primarily through Arch Re Bermuda on both a proportional and non-proportional basis globally; mortgage insurance and reinsurance in the EEA and U.K. primarily through Arch Insurance (EU), and in Australia through Arch Lenders Mortgage Indemnity Limited ("Arch Indemnity"); and participation in various GSE credit risk-sharing products primarily through Arch Re Bermuda.

In 2014, we entered the U.S. mortgage Insurance marketplace, underwriting on the AMIC platform. AMIC is licensed and operates in all 50 states, the District of Columbia, Puerto Rico and Guam.

In December 2016, the Company completed the acquisition of United Guaranty Corporation ("UGC"), a North Carolina corporation, and its primary operating subsidiary, UGRIC, which is licensed and operates in all 50 states, the District of Columbia and the U.S. Virgin Islands. AMIC and UGRIC have each been approved as an eligible mortgage insurer by Fannie Mae and Freddie Mac (collectively the GSEs), subject to maintaining certain ongoing requirements ("eligible mortgage insurer"). AMG offers direct mortgage insurance to U.S. mortgage lenders with respect to mortgages that lenders intend to retain in portfolio or include in non-agency securitizations. AMG is licensed in all 50 states and the District of Columbia, insures mortgages that are not intended to be sold to the GSEs, and it is therefore not approved by either GSE as an eligible mortgage insurer.

In 2011, Arch Insurance (EU) was authorized by the CBI to provide mortgage insurance products and services to the European and U.K. markets.

In January 2019, Arch LMI Pty Ltd. ("Arch LMI") was authorized by the Australia Prudential Regulation Authority ("APRA") to write lenders' mortgage insurance. In August 2021, we acquired Arch Indemnity, which is also authorized by APRA to write lenders mortgage insurance. In 2022, we converted Arch LMI to a services company for our Australian lenders mortgage

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insurance operations and the company relinquished its APRA authorization. Arch LMI and Arch Indemnity are headquartered in Sydney, Australia. Following the conversion of Arch LMI, Arch Indemnity is the primary provider of direct lenders' mortgage insurance and reinsurance to the Australian market.

Other Operations. In 2014, we and third party investors sponsored the formation of Somers Holdings Ltd. (formerly Watford Holdings Ltd.). Somers Holdings Ltd. is the parent of Somers Re Ltd. (formerly Watford Re Ltd.), a multi-line Bermuda (re)insurance company (together with Somers Holdings Ltd., "Somers"). Somers is wholly owned by Greysbridge Holdings Ltd. ("Greysbridge"), which is currently 30% owned by us, with the remaining balance of Greysbridge common shares held by third party investors. Somers' strategy is to combine a diversified reinsurance and insurance business with a disciplined investment strategy. Somers' own management and board of directors are responsible for its results and profitability. Arch Re Bermuda has appointed three directors to serve on the ten person board of directors of Somers.

In January 2017, the Company and Kelso & Company sponsored the formation of Premia Holdings Ltd. Premia Holdings Ltd. is the parent of Premia Reinsurance Ltd., a multi-line Bermuda reinsurance company (together with Premia Holdings Ltd., "Premia"). Premia's strategy is to reinsure or acquire companies or reserve portfolios in the non-life property and casualty insurance and reinsurance run-off market. Arch Re Bermuda and certain Arch co-investors invested \$100 million and acquired approximately 25% of Premia as well as warrants to purchase additional common equity. Arch Re Bermuda is providing a quota share reinsurance treaty on certain business written by Premia, and subsidiaries of Arch Capital are providing certain administrative and support services to Premia, in each case pursuant to separate multi-year agreements

In 2021, the Company completed the share purchase agreement with Natixis to purchase 29.5% of the common equity of Coface SA ("Coface"), a France-based leader in the global trade and credit insurance market. This is a long-term, strategic investment in Coface, and fits with the Company's efforts to develop uncorrelated sources of underwriting income. Our companies share a focus on specialty underwriting where knowledge and expertise create value for our clients, and trade credit contributes to the Company's specialty-driven business model.

The Company has reclassified the presentation of certain prior year information to conform to the current presentation, such reclassifications had no effect on the Company's net income, comprehensive income, shareholder's equity or cash flows. Tabular amounts in this report are in U.S. Dollars in millions, except share amounts, unless otherwise noted.

2. Business Acquired

On August 1, 2024, Arch Capital completed the acquisition of Allianz's U.S Middle Market Property and Casualty insurance business and U.S. Entertainment business ("MCE Acquisition"). This business is written by Fireman's Fund Insurance Company, an affiliate of Allianz, and its subsidiaries (collectively, the "Business Entities"), in each case, relating to relevant policies with accident years 2016 and onwards (collectively, the "Business"), as well as certain assets of Allianz and its affiliates related to the Business. The Business acquired is included within the Company's insurance operations beginning from the acquisition date. In connection with the acquisition of the Business, the Company also entered into certain reinsurance agreements relating to the Business and the Business Entities and other agreements providing for administration and other services for the Business Entities by the Company for the applicable policies being reinsured following the closing. The acquisition of the Business is an important part of the Company's growth strategy, and provides a ballast to our existing insurance business. It further enhances the Company's capabilities in the U.S. middle markets and represents an attractive way to enter the entertainment insurance market, a new niche for us.

Aggregate cash consideration for the transaction was \$450 million. Direct costs related to the acquisition are immaterial, and were expensed as incurred. These include one-time costs that are directly attributable to third party consulting fees and other professional and legal fees related to the acquisition. Such costs are included within 'other operating expenses' in the consolidated statement of income.

The MCE Acquisition was accounted for as a business combination under FASB Accounting Standards Codification Topic 805, Business Combinations ("Topic 805"). Pursuant to Topic 805, the Company allocated the MCE Acquisition purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the fair values was recorded to goodwill. During the measurement period, the Company adjusted the provisional amounts to reflect new information obtained about facts and circumstances that existed as of the acquisition date, which, if known, would have affected the measurement of the amounts recognized as of that date. Such adjustments impacted certain identifiable assets acquired and liabilities assumed, resulting in a decrease in net assets acquired and a corresponding increase to goodwill of \$10 million. The Company completed the analysis of the fair value of the assets, liabilities assumed and the related allocation of the purchase price during the second quarter 2025.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the Company's allocation of the purchase price to the acquired assets and liabilities assumed based on estimated fair values on August 1, 2024.

	<u>Total</u>	<u>Useful Life</u>
Purchase price		
Cash paid by Arch Capital (a)	\$ 450	
Assets Acquired		
Cash and investments, at fair value	\$ 2,332	
Premiums receivable, net of commissions	224	
Intangible asset -- distribution relationships	220	10 years
Intangible asset -- value of business acquired	165	1-2 years
Intangible asset -- other (1)	180	5-7 years
Other assets acquired (2)	175	
Total assets acquired	\$ 3,296	
Liabilities Acquired		
Reserves for losses and loss adjustment expenses	\$ 2,468	
Unearned premiums	636	
Other liabilities acquired	18	
Total liabilities acquired	\$ 3,122	
Identifiable net assets acquired (b)	\$ 174	
Goodwill (a) - (b)	\$ 276	

(1) Includes \$130 million related to the net fair value adjustment to reserves for loss and loss adjustment expenses on August 1, 2024.

(2) Includes \$10 million retained by Arch Capital.

The Company recognized goodwill of \$276 million that is primarily attributed to the expanded presence and long-term growth opportunities in the insurance market provided by this strategic acquisition. Approximately \$555 million of the acquired goodwill and intangibles is expected to be deductible for income tax purposes. At the date of the acquisition, the Company established a net deferred tax asset of \$24 million related to the estimated fair value of reserves for losses and loss adjustment expenses and unearned premiums.

Intangible assets resulting from the acquisition are amortized as part of 'amortization of intangible assets' in the Company's consolidated statements of income. The significant fair value adjustments and related future amortization are as follows:

Value of business acquired ("VOBA")— which represents the present value of the expected underwriting profit within the unearned premium liability, less costs to service the related policies and a risk premium. The fair value of VOBA was determined after taking into consideration certain key assumptions, including the estimated cost of capital, investment yield, loss ratio and related expenses.

Reserves for losses and loss adjustment expenses—to reflect a decrease related to the present value of the reserve for losses and loss adjustment expenses based on the estimated payout patterns, partially offset by an increase in losses and loss adjustment expenses related to the estimated market based risk margin. The risk margin represents the estimated costs of capital required by a market participant to assume the losses and loss adjustment expenses. The fair value of the reserve for losses and loss adjustment expenses was determined after taking into consideration certain key assumptions, including the estimated cost of capital, and investment yield.

Distribution relationships—the value of the distribution relationships was determined after taking into consideration certain key assumptions, including the estimated cost of capital, investment yield, retention rates, loss ratios, related expenses and effective tax rates that would impact the expected cash flows from Business policies written on a go forward basis.

The results of the acquired Business have been included in the Company's consolidated financial statements beginning as of their acquisition date. It is impracticable to provide historical supplemental pro forma financial information along with revenue and earnings subsequent to the acquisition due to a variety of factors, including access to historical information and the operations of acquirees being integrated within the Company shortly after closing and not operating as discrete operations within the Company's organizational structure.

3. Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of Arch Re Bermuda and its subsidiaries, including AGRL, Arch Re U.S., Arch Capital Group (U.S.) Inc. (“Arch-U.S.”), Arch Insurance, Arch Specialty, Arch PC, Arch Indemnity Insurance, Arch Wilsure, Arch Insurance Canada, Arch Re Europe, AMIC, UGRIC, AMG, Arch LMI, Arch Indemnity, Arch Insurance (EU), Arch Insurance (U.K.), our Lloyd’s Syndicates and AMAL. All significant intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. The Company’s principal estimates include:

- The reserve for losses and loss adjustment expenses;
- Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses, including the provision for uncollectible amounts;
- Estimates of written and earned premiums;
- The valuation of the investment portfolio and assessment of allowance for credit losses;
- The valuation of purchased intangible assets;
- The assessment of goodwill and intangible assets for impairment; and
- The valuation of deferred income tax assets.

(b) Premium Revenues and Related Expenses

Insurance. Insurance premiums written are generally recorded at the policy inception and are primarily earned on a pro rata basis over the terms of the policies for all products, usually 12 months. Premiums written include estimates that are derived from multiple sources which include the historical experience of the underlying business, similar business and available industry information. Unearned premium reserves represent the portion of premiums written that relates to the unexpired terms of in-force insurance policies.

Reinsurance. Reinsurance premiums written include amounts reported by brokers and ceding companies, supplemented by the Company’s own estimates of premiums where reports have not been received. The determination of premium estimates requires a review of the Company’s experience with the ceding companies, familiarity with each market, the timing of the reported information, an analysis and understanding of the characteristics of each line of business, and management’s judgment of the impact of various factors, including premium or loss trends, on the volume of business written and ceded to the Company. On an ongoing basis, the Company’s underwriters review the amounts reported by these third parties for reasonableness based on their experience and knowledge of the subject class of business, taking into account the Company’s historical experience with the brokers or ceding companies. In addition, reinsurance contracts under which the Company assumes business generally contain specific provisions which allow the Company to perform audits of the ceding company to ensure compliance with the terms and conditions of the contract, including accurate and timely reporting of information. Based on a review of all available information, management establishes premium estimates where reports have not been received. Premium estimates are updated when new information is received and differences between such estimates and actual amounts are recorded in the period in which estimates are changed or the actual amounts are determined.

Reinsurance premiums written are recorded based on the type of contracts the Company writes. Premiums on the Company’s excess of loss and pro rata reinsurance contracts are estimated when the business is underwritten. For excess of loss contracts, premiums are recorded as written based on the terms of the contract. Estimates of premiums written under pro rata contracts are recorded in the period in which the underlying risks are expected to incept and are based on information provided by the brokers and the ceding companies. For multi-year reinsurance treaties which are payable in annual installments, generally, only the initial annual installment is included as premiums written at policy inception due to the ability of the reinsured to commute or cancel coverage during the term of the policy. The remaining annual installments are included as premiums written at each successive anniversary date within the multi-year term.

Reinsurance premiums written, irrespective of the class of business, are generally earned on a pro rata basis over the terms of the underlying policies or reinsurance contracts. Contracts and policies written on a “losses occurring” basis cover claims that may occur during the term of the contract or policy, which is typically 12 months. Accordingly, the premium is earned evenly

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over the term. Contracts which are written on a “risks attaching” basis cover claims which attach to the underlying insurance policies written during the terms of such contracts. Premiums earned on such contracts usually extend beyond the original term of the reinsurance contract, typically resulting in recognition of premiums earned in proportion to period of risk coverage. Certain of the Company’s reinsurance contracts include provisions that adjust premiums or acquisition expenses based upon the experience under the contracts. Premiums written and earned, as well as related acquisition expenses, are recorded based upon the projected experience under such contracts.

The Company also writes certain reinsurance business that is intended to provide insurers with risk management solutions that complement traditional reinsurance. Under these contracts, the Company assumes a measured amount of insurance risk in exchange for an anticipated margin, which is typically lower than on traditional reinsurance contracts. The terms and conditions of these contracts may include additional or return premiums based on loss experience, loss corridors, sublimits and caps. Examples of such business include aggregate stop-loss coverages, financial quota share coverages and multi-year retrospectively rated excess of loss coverages. If these contracts are deemed to transfer risk, they are accounted for as reinsurance. Otherwise, such contracts are accounted for under the deposit method.

Mortgage. Mortgage guaranty insurance policies are contracts that are generally non-cancelable by the insurer, are renewable at a fixed price, and provide for payment of premiums on a monthly, annual or single basis. Upon renewal, the Company is not able to re-underwrite or re-price its policies. Consistent with industry accounting practices, premiums written on a monthly basis are earned as coverage is provided. Premiums written on an annual basis are amortized on a monthly pro rata basis over the year of coverage. Primary mortgage insurance premiums written on policies covering more than one year are referred to as single premiums. A portion of the revenue from single premiums is recognized in premiums earned in the current period, and the remaining portion is deferred as unearned premiums and earned over the estimated expiration of risk of the policy. If single premium policies related to insured loans are canceled due to repayment by the borrower and the policy is a non-refundable product, the remaining unearned premium related to each canceled policy is recognized as earned premium upon notification of the cancellation.

Unearned premiums for the Company’s mortgage operations represent the portion of premiums written that is applicable to the estimated unexpired risk of insured loans. A portion of premium payments may be refundable if the insured cancels coverage, which generally occurs when the loan is repaid and the policy is refundable, the loan amortizes to a sufficiently low amount to trigger a lender permitted or legally required cancellation, or the value of the property has increased sufficiently to trigger a lender permitted cancellation. Premium refunds reduce premiums earned in the consolidated statements of income. Generally, only unearned premiums are refundable.

Reinstatement premiums for the Company’s insurance and reinsurance operations are recognized at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. Reinstatement premiums, if obligatory, are fully earned when recognized. The accrual of reinstatement premiums is based on an estimate of losses and loss adjustment expenses, which reflects management’s judgment.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of premium estimates. Based on management’s review, the appropriateness of the premium estimates is evaluated, and any adjustment to these estimates is recorded in the period in which it becomes known. Adjustments to premium estimates could be material and such adjustments could directly and significantly impact earnings favorably or unfavorably in the period they are determined because the estimated premium may be fully or substantially earned. A significant portion of amounts included as premiums receivable, which represent estimated premiums written, net of commissions, are not currently due based on the terms of the underlying contracts.

Premiums receivable include amounts receivable from agents, brokers and insured that are both currently due and amounts not yet due on insurance, reinsurance and mortgage insurance policies. Premiums receivable balances are reported net of an allowance for expected credit losses. The Company monitors credit risk associated with premiums receivable through its ongoing review of amounts outstanding, aging of the receivable, historical loss data, and counterparty financial strength measures. The allowance also includes estimated uncollectible amounts related to dispute risk. In certain instances, credit risk may be reduced by the Company’s right to offset loss obligations or unearned premiums against premiums receivable. Any allowance for credit losses is charged to net realized gains (losses) in the period the receivable is recorded and revised in subsequent periods to reflect changes in the Company’s estimate of expected credit losses. See note 7 for additional information.

Acquisition Costs. Acquisition costs that are directly related and incremental to the successful acquisition or renewal of business are deferred and amortized based on the type of contract. The Company’s insurance and reinsurance operations

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capitalize incremental direct external costs that result from acquiring a contract but do not capitalize salaries, benefits and other internal underwriting costs. For the Company's mortgage insurance operations, which include a substantial direct sales force, both external and certain internal direct costs are deferred and amortized. For property and casualty insurance and reinsurance contracts, deferred acquisition costs are amortized over the period in which the related premiums are earned. Consistent with mortgage insurance industry accounting practice, amortization of acquisition costs related to the mortgage insurance contracts for each underwriting year's book of business is recorded in proportion to estimated gross profits. Estimated gross profits are comprised of earned premiums and losses and loss adjustment expenses. For each underwriting year, the Company estimates the rate of amortization to reflect actual experience and any changes to persistency or loss development.

Deferred acquisition costs are carried at their estimated realizable value and take into account anticipated losses and loss adjustment expenses, based on historical and current experience, and anticipated investment income.

A premium deficiency occurs if the sum of anticipated losses and loss adjustment expenses, unamortized acquisition costs and maintenance costs exceed unearned premiums (including expected future premiums) and anticipated investment income. A premium deficiency reserve ("PDR") is recorded by charging any unamortized acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds unamortized acquisition costs then a liability is accrued for the excess deficiency.

To assess the need for a PDR on mortgage exposures, the Company develops loss projections based on modeled loan defaults related to its current policies in force. This projection is based on recent trends in default experience, severity and rates of defaulted loans moving to claim, as well as recent trends in the rate at which loans are prepaid, and incorporates anticipated interest income. Evaluating the expected profitability of the Company's existing mortgage insurance business and the need for a PDR for its mortgage business involves significant reliance upon assumptions and estimates with regard to the likelihood, magnitude and timing of potential losses and premium revenues.

No premium deficiency charges were recorded by the Company during 2025 and 2024.

(c) Deposit Accounting

Certain assumed reinsurance contracts that are deemed not to transfer insurance risk, are accounted for using the deposit method of accounting. However, it is possible that the Company could incur financial losses on such contracts. Management exercises significant judgment in the assumptions used in determining whether assumed contracts should be accounted for as reinsurance contracts or deposit contracts. For those contracts that contain only significant underwriting risk, the estimated profit margin is deferred and amortized over the contract period and such amount is included in the Company's underwriting results. When the estimated profit margin is explicit, the margin is reflected as other underwriting income and any adverse financial results on such contracts are reflected as incurred losses. When the estimated profit margin is implicit, the margin is reflected as an offset to paid losses and any adverse financial results on such contracts are reflected as incurred losses. Additional judgments are required when applying the accounting guidance with respect to the revenue recognition criteria for contracts deemed to transfer only significant underwriting risk. For those contracts that contain only significant timing risk, an accretion rate is established at inception of the contract based on actuarial estimates whereby the deposit accounting liability is increased to the estimated amount payable over the contract term. The accretion on the deposit is based on the expected rate of return required to fund the expected future payment obligations. Periodically the Company reassesses the estimated ultimate liability and the related expected rate of return. The accretion of the deposit accounting liability as well as changes to the estimated ultimate liability and the accretion rate would be reflected as part of interest expense in the Company's results of operations. Any negative accretion in a deposit accounting liability is shown in other underwriting income in the Company's results of operations.

Under some of these contracts, the ceding company retains the related assets on a funds held basis. Such amounts are included in "Other assets" on the Company's balance sheet. Interest income produced by those assets are recorded as part of net investment income in the Company's results of operations.

(d) Retroactive Reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. In certain instances, reinsurance contracts cover losses both on a prospective basis and on a retroactive basis and, accordingly, the Company bifurcates the prospective and retrospective elements of these reinsurance contracts and accounts for each element separately where practical. Underwriting income generated in connection with retroactive reinsurance contracts is deferred and amortized into income over the settlement period while losses are charged to income immediately. Subsequent changes in estimated amount or timing of cash flows under such retroactive reinsurance

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contracts are accounted for by adjusting the previously deferred amount to the balance that would have existed had the revised estimate been available at the inception of the reinsurance transaction, with a corresponding charge or credit to income.

(e) Reinsurance Ceded

In the normal course of business, the Company purchases reinsurance to increase capacity and to limit the impact of individual losses and events on its underwriting results by reinsuring certain levels of risk with other insurance enterprises or reinsurers. The Company uses pro rata, excess of loss and facultative reinsurance contracts. Reinsurance ceding commissions that represent a recovery of acquisition costs are recognized as a reduction to acquisition costs while the remaining portion is deferred. The accompanying consolidated statement of income reflects premiums and losses and loss adjustment expenses and acquisition costs, net of reinsurance ceded. See note 8 for information on the Company's reinsurance usage. Reinsurance premiums ceded and unpaid losses and loss adjustment expenses recoverable are estimated in a manner consistent with that of the original policies issued and the terms of the reinsurance contracts. If the reinsurers are unable to satisfy their obligations under the agreements, the Company's insurance or reinsurance subsidiaries would be liable for such defaulted amounts.

Reinsurance recoverables are recorded as assets, predicated on the reinsurers' ability to meet their obligations under the reinsurance agreements. In certain instances, the Company obtains collateral, including letters of credit and trust accounts to further reduce the credit exposure on its reinsurance recoverables. The Company reports its reinsurance recoverables net of an allowance for expected credit loss. The allowance is based upon the Company's ongoing review of amounts outstanding, the financial condition of its reinsurers, amounts and form of collateral obtained and other relevant factors. A ratings based probability-of-default and loss-given-default methodology is used to estimate the allowance for expected credit loss. Any allowance for credit losses is charged to net realized gains (losses) in the period the recoverable is recorded and revised in subsequent periods to reflect changes in the Company's estimate of expected credit losses. See note 7 for additional information.

(f) Cash

Cash includes cash equivalents, which are investments with original maturities of three months or less that are not part of the investment portfolio.

(g) Restricted Cash

Restricted cash represents amounts held for the benefit of third parties or is legally or contractually restricted as to withdrawal or usage by the Company. Such amounts are included in "Other assets" on the Company's consolidated balance sheets.

(h) Investments

The Company currently classifies substantially all of its fixed maturity investments and short-term investments as "available for sale" and, accordingly, they are carried at estimated fair value (also known as fair value) with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income in shareholder's equity. The fair value of fixed maturity securities and equity securities is generally determined from quotations received from nationally recognized pricing services, or when such prices are not available, by reference to broker or underwriter bid indications. Short-term investments comprise securities due to mature within one year of the date of issue. Short-term investments include certain cash equivalents which are part of investment portfolios under the management of external and internal investment managers.

The Company's investment portfolio includes certain funds that, due to their ownership structure, are accounted for by the Company using the equity method. 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). Such investments are generally recorded on a one to three month lag based on the availability of reports from the investment funds. Changes in the carrying value of such investments are recorded in net income as "Equity in net income (loss) of investments accounted for using the equity method." As such, fluctuations in the carrying value of the investments accounted for using the equity method may increase the volatility of the Company's reported results of operations.

The Company's investment portfolio includes equity securities that are accounted for at fair value. Such holdings primarily include publicly traded common stocks. Dividend income on equities is reflected in net investment income. Changes in fair value on equity securities are included in "Net realized gains (losses)" in the consolidated statement of income.

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The Company elected to carry certain fixed maturity securities, equity securities, short-term investments and other investments at fair value under the fair value option afforded by accounting guidance regarding the fair value option for financial assets and liabilities. The fair value for certain of the Company's other investments are determined using net asset values ("NAVs") as advised by external fund managers. The NAV is based on the fund manager's valuation of the underlying holdings in accordance with the fund's governing documents.

Changes in fair value of investments accounted for using the fair value option are included in "Net realized gains (losses)." The primary reasons for electing the fair value option were to address simplification and cost-benefit considerations.

The Company invests in reverse repurchase agreements that are generally treated as collateralized receivables. Receivables for reverse repurchase agreements are reflected in "Other investments" or "Short-term investments" in the Company's consolidated balance sheet depending on their terms. These agreements are recorded at their contracted resale amount plus accrued interest, other than those that are accounted for at fair value. In reverse repurchase transactions, the Company obtains an interest in the purchased assets that are received as collateral.

The Company invests in limited partner interests and shares of limited liability companies. Such amounts are included in investments accounted for using the equity method and other investments. These investments can often have characteristics of a variable interest entity ("VIE"). A VIE refers to entities that have characteristics such as (i) insufficient equity at risk to allow the entity to finance its activities without additional financial support or (ii) instances where the equity investors, as a group, do not have the characteristic of a controlling financial interest. If the Company is determined to be the primary beneficiary, it is required to consolidate the VIE. The primary beneficiary is defined as the variable interest holder that is determined to have the controlling financial interest as a result of having both (i) the power to direct the activities of a VIE that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. At inception of the VIE as well as on an ongoing basis, the Company determines whether it is the primary beneficiary based on an analysis of the Company's level of involvement in the VIE, the contractual terms, and the overall structure of the VIE. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying amounts reported in the Company's consolidated balance sheets and any unfunded commitment.

The Company conducts a periodic review to identify and evaluate credit based impairments related to the Company's available for sale investments. The Company derives estimated credit losses by comparing expected future cash flows to be collected to the amortized cost of the security. Estimates of expected future cash flows consider among other things, macroeconomic conditions as well as the financial condition, near-term and long-term prospects for the issuer, and the likelihood of the recoverability of principal and interest. Effective January 1, 2020, credit losses are recognized through an allowance account subject to reversal, rather than a reduction in amortized cost. Declines in value attributable to factors other than credit are reported as an unrealized loss in other comprehensive income while the allowance for credit loss is charged to net realized gains (losses) in the consolidated statement of income.

For available for sale investments that the Company intends to sell or for which it is more likely than not that the Company would be required to sell before an anticipated recovery in value, the full amount of the impairment is included in net realized gains (losses). The new cost basis of the investment is the previous amortized cost basis reduced by the impairment recognized in net realized gains (losses). The new cost basis is not adjusted for any subsequent recoveries in fair value.

The Company reports accrued investment income separately from investment balances and has elected not to measure an allowance for credit losses for accrued investment income. Any uncollectible accrued interest income is written off in the period it is deemed uncollectible.

Net investment income includes interest and dividend income together with amortization of market premiums and discounts and is net of investment management and custody fees. Anticipated prepayments and expected maturities are used in applying the interest method for certain investments such as mortgage and other asset-backed securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in such securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the security. Such adjustments, if any, are included in net investment income when determined.

Investment gains or losses realized on the sale of investments, except for certain fund investments, are determined on a first-in, first-out basis and are reflected in net income. Investment gains or losses realized on the sale of certain fund investments are determined on an average cost basis. Unrealized appreciation or decline in the value of available for sale securities, which

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are carried at fair value, is excluded from net income and recorded as a separate component of accumulated other comprehensive income, net of applicable deferred income tax.

(i) Derivative Instruments

The Company recognizes all derivative instruments, including embedded derivative instruments, at fair value in its consolidated balance sheets. The Company employs the use of derivative instruments within its operations to mitigate risks arising from assets and liabilities held in foreign currencies as well as part of its overall investment strategy. For such instruments, changes in assets and liabilities measured at fair value are recorded as “Net realized gains (losses)” in the consolidated statements of income. In addition, the Company’s derivative instruments include amounts related to underwriting activities where an insurance or reinsurance contract meets the accounting definition of a derivative instrument. For such contracts, changes in fair value are reflected in “Other underwriting income” in the consolidated statements of income as the underlying contract originates from the Company’s underwriting operations. For 2025 and 2024, the Company did not designate any derivative instruments as hedges under the relevant accounting guidance. See note 11 for information on the Company’s derivative instruments.

(j) Reserves for Losses and Loss Adjustment Expenses

Insurance and Reinsurance. The reserve for losses and loss adjustment expenses consists of estimates of unpaid reported losses and loss adjustment expenses and estimates for losses incurred but not reported. The reserve for unpaid reported losses and loss adjustment expenses, established by management based on reports from ceding companies and claims from insureds, excludes estimates of amounts related to losses under high deductible policies, and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company. Such reserves are supplemented by management’s estimates of reserves for losses incurred for which reports or claims have not been received. The Company’s reserves are based on a combination of reserving methods, incorporating both Company and industry loss development patterns. The Company selects the initial expected loss and loss adjustment expense ratios based on information derived by its underwriters and actuaries during the initial pricing of the business, supplemented by industry data where appropriate. Such ratios consider, among other things, rate changes and changes in terms and conditions that have been observed in the market. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in income in the period in which they are determined. As actual loss information has been reported, the Company has developed its own loss experience and its reserving methods include other actuarial techniques. Over time, such techniques have been given further weight in its reserving process based on the continuing maturation of the Company’s reserves. Inherent in the estimates of ultimate losses and loss adjustment expenses are expected trends in claims severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss adjustment expenses may differ materially from the amounts recorded in the accompanying consolidated financial statements. Losses and loss adjustment expenses are recorded on an undiscounted basis, except for excess workers’ compensation and employers’ liability business written by the Company’s insurance operations.

Mortgage. The reserves for mortgage guaranty insurance losses and loss adjustment expenses are the estimated claim settlement costs on notices of delinquency that have been received by the Company, as well as loan delinquencies that have been incurred but have not been reported by the lenders. Consistent with primary mortgage insurance industry accounting practice, the Company does not establish loss reserves for future claims on insured loans that are not currently delinquent (defined as two or more payments in arrears). The Company establishes loss reserves on a case-by-case basis when insured loans are reported delinquent using estimated claim rates and average claim sizes for each cohort, net of any salvage recoverable. The Company also reserves for delinquencies that have occurred but have not yet been reported to the Company prior to the close of an accounting period. To determine this reserve, the Company estimates the number of delinquencies not yet reported using historical information regarding late reported delinquencies and applies estimated claim rates and claim sizes for the estimated delinquencies not yet reported.

The establishment of reserves across the Company’s operations is an inherently uncertain process, are necessarily based on estimates, and the ultimate net cost may vary from such estimates. The methods for making such estimates and for establishing the resulting liability are reviewed and updated using the most current information available. Any resulting adjustments, which may be material, are reflected in current operations.

(k) Contractholder Receivables and Payables and Collateral Held for Insured Obligations

Certain insurance policies written by the Company’s insurance operations feature large deductibles, primarily in its construction and national accounts line of business. Under such contracts, the Company is obligated to pay the claimant for

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the full amount of the claim. The Company is subsequently reimbursed by the policyholder for the deductible amount. These amounts are included on a gross basis in the consolidated balance sheets as contractholder payables and contractholder receivables. In the event that the Company is unable to collect from the policyholder, the Company would be liable for such defaulted amounts. Collateral, primarily in the form of letters of credit, cash and trusts, is obtained from the policyholder to mitigate the Company's credit risk. In the instances where the Company receives collateral in the form of cash, the Company reflects it in "Collateral held for insured obligations."

Contractholder receivables are reported net of an allowance for expected credit losses. The allowance is based upon the Company's ongoing review of amounts outstanding, changes in policyholder credit standing, amounts and form of collateral obtained, and other relevant factors. A ratings based probability-of-default and loss-given-default methodology is used to estimate the allowance for expected credit losses. Any allowance for credit losses is charged to net realized gains (losses) in the period the receivable is recorded and revised in subsequent periods to reflect changes in the Company's estimate of expected credit losses. See note 7 for additional information.

(l) Foreign Exchange

Assets and liabilities of foreign operations whose functional currency is not the U.S. Dollar are translated at the prevailing exchange rates at each balance sheet date. Revenues and expenses of such foreign operations are translated at average exchange rates during the year. The net effect of the translation adjustments for foreign operations is included in accumulated other comprehensive income, net of applicable deferred income tax. Monetary assets and liabilities, such as premiums receivable and the reserve for losses and loss adjustment expenses, denominated in foreign currencies are revalued at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses included in net income. Accounts that are classified as non-monetary, such as deferred acquisition costs and the unearned premium reserves, are not revalued. In the case of foreign currency denominated fixed maturity securities which are classified as "available for sale," the change in exchange rates between the local currency in which the investments are denominated and the Company's functional currency at each balance sheet date is included in unrealized appreciation or decline in value of securities, a component of accumulated other comprehensive income, net of applicable deferred income tax.

(m) Income Taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. A valuation allowance is recorded if it is more likely than not that some or all of a deferred tax asset may not be realized. The Company considers future taxable income and feasible tax planning strategies in assessing the need for a valuation allowance. In the event the Company determines that it will not be able to realize all or part of its deferred income tax assets in the future, an adjustment to the deferred income tax assets would be charged to income in the period in which such determination is made. In addition, if the Company subsequently assesses that the valuation allowance is no longer needed, a benefit would be recorded to income in the period in which such determination is made. See note 13 for more information.

The Company recognizes a tax benefit where it concludes that it is more likely than not that the tax benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that, in the Company's judgment, is greater than 50% likely to be realized. The Company records interest and penalties related to unrecognized tax benefits in the provision for income taxes.

(n) Share-Based Payment Arrangements

The Company applies a fair value based measurement method in accounting for its share-based payment arrangements with eligible employees and directors. Compensation expense is estimated based on the fair value of the award at the grant date and is recognized in net income over the requisite service period with a corresponding increase in shareholder's equity. No value is attributed to awards that employees forfeit because they fail to satisfy vesting conditions. The Company's (i) time-based awards generally vest over a three year period with one-third vesting on each of the first, second and third anniversaries of the grant date and (ii) performance-based awards cliff vest after each three year performance period based on achievement of the specified performance criteria. The share-based compensation expense associated with awards that have graded vesting features and vest based on service conditions only is calculated on a straight-line basis over the requisite service period for the entire award. Compensation expense recognized in connection with performance awards is based on the achievement of the specified performance and service conditions. The final measure of compensation expense recognized over the requisite service period reflects the final performance outcome. During the recognition period compensation expense is accrued based on the performance condition that is probable of achievement. For awards granted to retirement-

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eligible employees where no service is required for the employee to retain the award, the grant date fair value is immediately recognized as compensation expense at the grant date because the employee is able to retain the award without continuing to provide service. For employees near retirement eligibility, attribution of compensation cost is over the period from the grant date to the retirement eligibility date. These charges had no impact on the Company's cash flows or total shareholder's equity. See note 20 for information relating to the Company's share-based payment awards.

(o) Guaranty Fund and Other Related Assessments

Liabilities for guaranty fund and other related assessments in the Company's insurance and reinsurance operations are accrued when the Company receives notice that an amount is payable, or earlier if a reasonable estimate of the assessment can be made.

(p) Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of a business combination over the fair value of the net assets acquired and is assigned to the applicable reporting unit at acquisition. The annual goodwill impairment test was performed as of October 1, 2025. Impairment tests may be performed more frequently if the facts and circumstances indicate a possible impairment. In performing impairment tests, the Company may first assess qualitative factors to determine whether it is more likely than not (that is, more than a 50% probability) that the fair value of a reporting unit exceeds its carrying amount as a basis for determining whether it is necessary to perform goodwill impairment test described in the accounting guidance.

Indefinite-lived intangible assets, such as insurance licenses are evaluated for impairment similar to goodwill. Finite-lived intangible assets and liabilities include the value of acquired insurance and reinsurance contracts, which are estimated based on the present value of future expected cash flows and amortized in proportion to the estimated profits expected to be realized. Other finite-lived intangible assets, including customer lists, trade name and IT platforms, are amortized over their useful lives. Finite-lived intangible assets and liabilities are periodically reviewed for indicators of impairment. An impairment is recognized when the carrying amount is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and fair value.

If goodwill or intangible assets are impaired, such assets are written down to their fair values with the related expense recorded in the Company's results of operations.

(q) Investment in Operating Affiliates

Investment in operating affiliates primarily represent the Company's investments in which it has significant influence and which are accounted for under the equity method of accounting. In applying the equity method of accounting, investments in operating affiliates are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of net income or loss of the operating affiliate. The Company records its proportionate share of other comprehensive income or loss of the operating affiliate as a component of other comprehensive income. Adjustments are based on the most recently available financial information from the operating affiliate. Changes in the carrying value of these investments are recorded in income (loss) from operating affiliates.

(r) Funds Held Arrangements

Funds held arrangements are agreements with a third party reinsurance company, where the reinsured retains the related assets on a funds held basis. Such amounts are included in "Other assets" on the Company's balance sheet. Investment returns produced by those assets are recorded as part of net investment income and net realized gains (losses) in the Company's consolidated results of operations. Funds held as collateral by the Company are included in "Other liabilities" and changes to the funds held liability are reflected as part of interest expense in the Company's consolidated results of operations.

(s) Government Grants

The Company claims substance-based government grants and refundable tax credits based on eligible expenditures in the jurisdictions in which it operates. Such amounts are recognized as reductions to the related expenses from which they are derived in the period where it is probable, the conditions for receiving the grant or refundable tax credits are satisfied. Government grants and refundable tax credits receivable are included in 'Other assets' and the benefit is primarily reflected

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as a reduction to ‘other operating expenses’ and ‘corporate expenses’ in the Company’s consolidated results of operations.

(t) Recent Accounting Pronouncements

Recently Issued Accounting Standards Adopted

The Company adopted ASU 2023-09, “Improvements to Income Tax Disclosures,” which was issued in December 2023 with the stated purpose of enhancing the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. The Company early adopted this ASU on a prospective basis. The adoption of this ASU did not have any effect on the Company’s consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

ASU 2025-06, “Intangibles – Goodwill and Other – Internal- Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software,” was issued in September 2025. The new guidance amends the accounting for the internal-use software by eliminating references to software development project stages. Under the revised standard, entities must capitalize software costs when (i) management has authorized and committed funding for the project, and (ii) it is probable that the project will be completed and the software will function as intended. The update also clarifies that both internal and external training costs, as well as maintenance costs, must be expensed as incurred. The ASU is effective for annual reporting periods beginning after December 15, 2027 and interim reporting periods within those annual reporting periods. The requirements may be applied prospectively, with options for modified retrospective or full retrospective application. The Company plans to early adopt this ASU on a prospective basis beginning January 1, 2026, consistent with the permitted early adoption rules. The Company does not expect this ASU to have a material impact on the Company’s consolidated financial statements and related disclosures.

ASU 2025-10, “Accounting for Government Grants Received by Business Entities”, was issued in December 2025. The ASU establishes authoritative guidance for the recognition, measurement, and presentation of government grants. The amendments in this ASU are effective for non-public business entities for annual reporting periods beginning after December 15, 2029, and interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

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4. Variable Interest Entities (“VIEs”)

Bellemeade Re

The Company has entered into aggregate excess of loss mortgage reinsurance agreements with various special purpose reinsurance companies domiciled in Bermuda (the “Bellemeade Agreements”). At the time the Bellemeade Agreements were entered into, the applicability of the accounting guidance that addresses VIEs was evaluated. As a result of the evaluation of the Bellemeade Agreements, the Company concluded that these entities are VIEs. However, given that the ceding insurers do not have the unilateral power to direct those activities that are significant to their economic performance, the Company does not consolidate such entities in its consolidated financial statements.

The reinsurance premium paid in regard to the Bellemeade Agreements is calculated by multiplying the outstanding reinsurance coverage amount at the beginning of the period by the coupon rate, which is the SOFR plus a contractual risk margin, less the actual investment income collected during the preceding month on the assets included in the underlying reinsurance trusts. In the event the assets included in the underlying reinsurance trusts became severely impaired or worthless and the special purpose reinsurance companies were unable to meet their future obligations, the Company’s mortgage insurance subsidiaries would be liable to fulfill claim payments to policyholders. The Company’s maximum exposure to loss associated with these VIEs is determined as the amount of mortgage insurance claim payments on the insured policies, net of aggregate reinsurance payments previously received, up to the full aggregate excess of loss reinsurance coverage amounts.

The following table summarizes the total assets of the Bellemeade entities:

Bellemeade Entities (Issue Date)	December 31, 2025		December 31, 2024
	Total VIE Assets	Coverage Remaining from Reinsurers (1)	Total VIE Assets
2021-3 Ltd. (Sep-21)	21	14	363
2022-1 Ltd. (Jan-22)	42	12	202
2022-2 Ltd. (Sep-22)	43	91	180
2023-1 Ltd. (Oct-23)	149	37	186
2024-1 Ltd. (Aug-24)	130	33	163
2025-1 Ltd. (Nov-25)	191	48	—
Total	\$ 576	\$ 235	\$ 1,094

(1) Coverage from a separate panel of reinsurers remaining at December 31, 2025.

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5. Reserve for Losses and Loss Adjustment Expenses

The following table represents an analysis of losses and loss adjustment expenses and a reconciliation of the beginning and ending reserve for losses and loss adjustment expenses:

	Year Ended December 31,	
	2025	2024
Reserve for losses and loss adjustment expenses at beginning of year	\$ 29,369	\$ 22,752
Unpaid losses and loss adjustment expenses recoverable	7,821	6,690
Net reserve for losses and loss adjustment expenses at beginning of year	21,548	16,062
Net incurred losses and loss adjustment expenses relating to losses occurring in:		
Current year	9,970	8,849
Prior years	(600)	(507)
Total net incurred losses and loss adjustment expenses	9,370	8,342
Net losses and loss adjustment expense reserves of acquired business (1)	50	2,477
Foreign exchange (gains) losses and other	550	(260)
Net paid losses and loss adjustment expenses relating to losses occurring in:		
Current year	(1,862)	(1,176)
Prior years	(5,163)	(3,897)
Total net paid losses and loss adjustment expenses	(7,025)	(5,073)
Net reserve for losses and loss adjustment expenses at end of year	24,493	21,548
Unpaid losses and loss adjustment expenses recoverable	9,054	7,821
Reserve for losses and loss adjustment expenses at end of year	\$ 33,547	\$ 29,369

(1) Activity in the 2025 and 2024 periods primarily related to the MCE Acquisition (see note 2)

Prior year development (“PYD”) arises from changes in loss estimates during the current period related to events occurring in prior calendar years. Long-tailed lines include lines of business that typically take many years for claims to settle such as third-party liability; short-tailed lines are those that settle more quickly such as property. The table below summarizes (favorable) and adverse net PYD by operation and tail length:

(Favorable) Adverse	Year Ended December 31,		
	Short-tailed	Long-tailed	Total
2025			
Insurance	\$ (61)	\$ 18	\$ (43)
Reinsurance	(386)	64	(322)
Mortgage	(235)	—	(235)
Total	\$ (682)	\$ 82	\$ (600)
2024			
Insurance	\$ (53)	\$ 16	\$ (37)
Reinsurance	(232)	44	(188)
Mortgage	(282)	—	(282)
Total	\$ (567)	\$ 60	\$ (507)

2025 Prior Year Reserve Development

The insurance operation’s short-tailed lines included \$26 million of favorable development in travel and accident, primarily from the 2023 and 2024 accident years, (i.e., the year in which a loss occurred), and \$21 million of favorable development in property, marine and aviation, primarily from the 2023 and 2024 accident years. Net adverse development in long-tailed lines included adverse development in programs, mainly from the 2021 to 2023 accident years.

The reinsurance operation’s short-tailed lines included \$178 million of favorable development from property other than property catastrophe, primarily from the 2023 and 2024 underwriting years (i.e., all premiums and losses attributable to

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contracts having an inception or renewal date within the given 12 month period), \$141 million of favorable development from property catastrophe, primarily from the 2023 and 2024 underwriting year. Long-tailed lines included \$64 million of adverse development in casualty, primarily from the 2021, 2023 and 2024 underwriting year.

The mortgage operation's favorable development was driven by reserve releases associated with the U.S. first lien portfolio from the 2023 and 2024 accident years. The Company's credit risk transfer and international businesses also contributed to the favorable development.

2024 Prior Year Reserve Development

The insurance operation's short-tailed lines included \$32 million of favorable development in travel and accident, primarily from the 2023 accident year, and \$31 million of favorable development in surety, primarily from the 2007, 2022 and 2023 accident years. Net adverse development in long-tailed lines included adverse development in programs, mainly from the 2023 accident year.

The reinsurance operation's short-tailed lines included \$99 million of favorable development from property other than property catastrophe, primarily from the 2022 to 2023 underwriting years, \$74 million of favorable development from specialty lines, primarily from the 2015 to 2022 underwriting years, and \$64 million of favorable development from property catastrophe, primarily from the 2020 to 2023 underwriting years. Long-tailed lines included \$44 million of adverse development in casualty, primarily from the 2016, 2017 and 2020 underwriting years.

The mortgage operation's favorable development was driven by reserve releases associated with the U.S. first lien portfolio from the 2022 to 2023 accident years. The Company's credit risk transfer and international businesses also contributed to the favorable development.

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6. Short Duration Contracts

The Company's reserves for losses and loss adjustment expenses primarily relate to short-duration contracts with various characteristics (*e.g.*, type of coverage, geography, claims duration). The Company considered such information in determining the level of disaggregation for disclosures related to its short-duration contracts, as detailed in the table below:

Reportable operations	Level of disaggregation	Included lines of business
Insurance	Property, energy, marine and aviation	Property, energy, marine and aviation
	Third party occurrence business	Excess and surplus casualty (excluding contract binding); construction and national accounts; and other (including alternative market risks, excess workers' compensation and employer's liability insurance coverages)
	Third party claims-made business	Professional lines
	Multi-line and other specialty	Programs; contract binding (part of excess and surplus casualty); travel, accident and health; warranty and lenders solutions; and other (contract and commercial surety coverages); MCE business ¹
Reinsurance	Casualty	Casualty
	Property catastrophe	Property catastrophe
	Property excluding property catastrophe	Property excluding property catastrophe
	Marine and aviation	Marine and aviation
	Specialty	Specialty
Mortgage	Direct mortgage insurance in the U.S.	Mortgage insurance on U.S. primary exposures

(1) Includes business underwritten under a new business reinsurance agreement related to the MCE Acquisition. See note 2.

The Company determined the following to be insignificant for disclosure purposes: (i) certain mortgage business, including non-U.S. primary business, second lien and student loan exposures, global mortgage reinsurance and participation in various GSE credit risk-sharing products and (ii) certain reinsurance business, including casualty clash and non-traditional lines. Such amounts are included as reconciling items.

The Company is required to establish reserves for losses and loss adjustment expenses ("Loss Reserves") that arise from the business the Company underwrites. Loss Reserves for the insurance, reinsurance and mortgage operations represent estimates of future amounts required to pay losses and loss adjustment expenses for insured or reinsured events which have occurred at or before the balance sheet date. Loss Reserves do not reflect contingency reserve allowances to account for future loss occurrences. Losses arising from future events will be estimated and recognized at the time the losses are incurred and could be substantial.

Insurance Operations

Loss Reserves for the insurance operations are comprised of estimated amounts for (1) reported losses ("case reserves") and (2) incurred but not reported losses ("IBNR reserves"). Generally, claims personnel determine whether to establish a case reserve for the estimated amount of the ultimate settlement of individual claims. The estimate reflects the judgment of claims personnel based on general corporate reserving practices, the experience and knowledge of such personnel regarding the nature and value of the specific type of claim and, where appropriate, advice of counsel. The Company also contracts with a number of outside third party administrators in the claims process who, in certain cases, have limited authority to establish case reserves. The work of such administrators is reviewed and monitored by our claims personnel. Loss Reserves are also established to provide for loss adjustment expenses and represent the estimated expense of settling claims, including legal and other fees and the general expenses of administering the claims adjustment process. Periodically, adjustments to the case reserves may be made as additional information is reported or payments are made. IBNR reserves are established to provide for incurred claims which have not yet been reported at the balance sheet date as well as to adjust for any projected variance in case reserving. Actuaries estimate ultimate losses and loss adjustment expenses using various generally accepted actuarial methods applied to known losses and other relevant information. Like case reserves, IBNR reserves are adjusted as additional information becomes known or payments are made. The process of estimating reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain.

Ultimate losses and loss adjustment expenses are generally determined by projection of claim emergence and settlement patterns observed in the past that can reasonably be expected to persist into the future. In forecasting ultimate losses and

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loss adjustment expenses with respect to any line of business, past experience with respect to that line of business is the primary resource, developed through both industry and company experience, but cannot be relied upon in isolation. Uncertainties in estimating ultimate losses and loss adjustment expenses are magnified by the length of the time lag between when a claim actually occurs and when it is reported and settled. This time lag is sometimes referred to as the “claim-tail.” During this period additional facts regarding coverages written in prior accident years, as well as about actual claims and trends, may become known and, as a result, may lead to adjustments of the related Loss Reserves. If the Company determines that an adjustment is appropriate, the adjustment is recorded in the accounting period in which such determination is made. Accordingly, should Loss Reserves need to be increased or decreased in the future from amounts currently established, future results of operations would be negatively or positively impacted respectively. The Company authorizes managing general agents, general agents and other producers to write program business on the Company’s behalf within prescribed underwriting authorities. This delegated authority process introduces additional complexity to the actuarial determination of unpaid future losses and loss adjustment expenses. In order to monitor adherence to the underwriting guidelines given to such parties, the Company periodically performs underwriting and claims due diligence reviews.

In determining ultimate losses and loss adjustment expenses, the cost to indemnify claimants, provide needed legal defense and other services for insureds and administer the investigation and adjustment of claims are considered. These claim costs are influenced by many factors that change over time, such as expanded coverage definitions as a result of new court decisions, inflation in costs to repair or replace damaged property, inflation in the cost of medical services and legislated changes in statutory benefits, as well as by the particular, unique facts that pertain to each claim. As a result, the rate at which claims arose in the past and the costs to settle them may not always be representative of what will occur in the future. The factors influencing changes in claim costs are often difficult to isolate or quantify and developments in paid and incurred losses from historical trends are frequently subject to multiple and conflicting interpretations. Changes in coverage terms or claims handling practices may also cause future experience and/or development patterns to vary from the past. A key objective of actuaries in developing estimates of ultimate losses and loss adjustment expenses, and resulting IBNR reserves, is to identify aberrations and systemic changes occurring within historical experience and adjust for them so that the future can be projected more reliably. Because of the factors previously discussed, this process requires the substantial use of informed judgment and is inherently uncertain.

Although Loss Reserves are initially determined based on underwriting and pricing analyses, the Company’s insurance operations applies several generally accepted actuarial methods, as discussed below, on a quarterly basis to evaluate the Loss Reserves, in addition to the expected loss method, in particular for Loss Reserves from more mature accident years (the year in which a loss occurred). Each quarter, as part of the reserving process, the operations’ actuaries reaffirm that the assumptions used in the reserving process continue to form a sound basis for the projection of liabilities. If actual loss activity differs substantially from expectations based on historical information, an adjustment to Loss Reserves may be supported. The Company places more or less reliance on a particular actuarial method based on the facts and circumstances at the time the estimates of Loss Reserves are made.

These methods generally fall into one of the following categories or are hybrids of one or more of the following categories:

- *Expected loss methods* - these methods are based on the assumption that ultimate losses vary proportionately with premiums. Expected loss and loss adjustment expense ratios are typically developed based upon the information derived by underwriters and actuaries during the initial pricing of the business, supplemented by industry data available from organizations, such as statistical bureaus and consulting firms, where appropriate. These ratios consider, among other things, rate increases and changes in terms and conditions that have been observed in the market. Expected loss methods are useful for estimating ultimate losses and loss adjustment expenses in the early years of long-tailed lines of business, when little or no paid or incurred loss information is available, and is commonly applied when limited loss experience exists for a company.
- *Historical incurred loss development methods* - these methods assume that the ratio of losses in one period to losses in an earlier period will remain constant in the future. These methods use incurred losses (*i.e.*, the sum of cumulative historical loss payments plus outstanding case reserves) over discrete periods of time to estimate future losses. Historical incurred loss development methods may be preferable to historical paid loss development methods because they explicitly take into account open cases and the claims adjusters’ evaluations of the cost to settle all known claims. However, historical incurred loss development methods necessarily assume that case reserving practices are consistently applied over time. Therefore, when there have been significant changes in how case reserves are established, using incurred loss data to project ultimate losses may be less reliable than other methods.

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- *Historical paid loss development methods* - these methods, like historical incurred loss development methods, assume that the ratio of losses in one period to losses in an earlier period will remain constant. These methods use historical loss payments over discrete periods of time to estimate future losses and necessarily assume that factors that have affected paid losses in the past, such as inflation or the effects of litigation, will remain constant in the future. Because historical paid loss development methods do not use incurred losses to estimate ultimate losses, they may be more reliable than the other methods that use incurred losses in situations where there are significant changes in how incurred losses are established by a company's claims adjusters. However, historical paid loss development methods are more leveraged (meaning that small changes in payments have a larger impact on estimates of ultimate losses) than actuarial methods that use incurred losses because cumulative loss payments take much longer to equal the expected ultimate losses than cumulative incurred amounts. In addition, and for similar reasons, historical paid loss development methods are often slow to react to situations when new or different factors arise than those that have affected paid losses in the past.
- *Adjusted historical paid and incurred loss development methods* - these methods take traditional historical paid and incurred loss development methods and adjust them for the estimated impact of changes from the past in factors such as inflation, the speed of claim payments or the adequacy of case reserves. Adjusted historical paid and incurred loss development methods are often more reliable methods of predicting ultimate losses in periods of significant change, provided the actuaries can develop methods to reasonably quantify the impact of changes. As such, these methods utilize more judgment than historical paid and incurred loss development methods.
- *Bornhuetter-Ferguson ("B-F") paid and incurred loss methods* - these methods utilize actual paid and incurred losses and expected patterns of paid and incurred losses, taking the initial expected ultimate losses into account to determine an estimate of expected ultimate losses. The B-F paid and incurred loss methods are useful when there are few reported claims and a relatively less stable pattern of reported losses.
- *Frequency-Severity methods* - These methods utilize actual paid and incurred claim experience, but break the data down into its component pieces: claim counts, often expressed as a ratio to exposure or premium (frequency), and average claim size (severity). The component pieces are projected to an ultimate level and multiplied together to result in an estimate of ultimate loss. These methods are especially useful when the severity of claims can be confined to a relatively stable range of estimated ultimate average claim value.
- *Additional analyses* - other methodologies are often used in the reserving process for specific types of claims or events, such as catastrophic or other specific major events. These include vendor catastrophe models, which are typically used in the estimation of Loss Reserves at the early stage of known catastrophic events before information has been reported to an insurer or reinsurer.

In the initial reserving process for short-tail insurance lines (consisting of property, energy, marine and aviation and other exposures including travel, accident and health, and warranty and lenders solutions), the Company relies on a combination of the reserving methods discussed above. For catastrophe-exposed business, the reserving process also includes the usage of catastrophe models for known events and a heavy reliance on analysis of individual catastrophic events and management judgment. The development of losses on short-tail business can be unstable, especially for policies characterized by high severity, low frequency losses. As time passes, for a given accident year, additional weight is given to the paid and incurred B-F loss development methods and eventually to the historical paid and incurred loss development methods in the reserving process. The Company makes a number of key assumptions in their reserving process, including that historical paid and reported development patterns are stable, catastrophe models provide useful information about our exposure to catastrophic events that have occurred and underwriters' judgment as to potential loss exposures can be relied on. The expected loss ratios used in the initial reserving process for short-tail business have varied over time due to changes in pricing, reinsurance structure, estimates of catastrophe losses, policy changes (such as attachment points, class and limits) and geographical distribution. As losses in short-tail lines are reported relatively quickly, expected loss ratios are selected for the current accident year based upon actual attritional loss ratios for earlier accident years, adjusted for rate changes, inflation, changes in reinsurance programs and expected attritional losses based on modeling. Furthermore, ultimate losses for short-tail business are known in a reasonably short period of time.

In the initial reserving process for long-tail insurance lines (consisting of third party occurrence business, third party claims made business, and other exposures including surety, programs and contract binding exposures), the Company primarily relies on the expected loss method. The development of the Company's long-tail business may be unstable, especially if there are high severity major events, as a portion of the Company's casualty business is in high excess layers. As time passes, for a given accident year, additional weight is given to the paid and incurred B-F loss development methods and historical paid and incurred loss development methods in the reserving process. The Company makes a number of key assumptions in reserving

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for long-tail lines, including that the pricing loss ratio is the best estimate of the ultimate loss ratio at the time the policy is entered into, that the loss development patterns, which are based on a combination of company and industry loss development patterns and adjusted to reflect differences in the insurance operations' mix of business, are reasonable and that claims personnel and underwriters analyses of our exposure to major events are assumed to be the best estimate of exposure to the known claims on those events. The expected loss ratios used in the initial reserving process for long-tail business for recent accident years have varied over time, in some cases significantly, from earlier accident years. As the credibility of historical experience for earlier accident years increases, the experience from these accident years will be given a greater weighting in the actuarial analysis to determine future accident year expected loss ratios, adjusted for changes in pricing, loss trends, terms and conditions and reinsurance structure.

From time to time, the Company enters into loss portfolio transfer and adverse development cover reinsurance agreements accounted for as retroactive reinsurance. These agreements transfer Loss Reserves and future favorable or adverse development on certain runoff programs and certain third party occurrence business, within multi-line and other specialty business (the "Covered Lines"). As incurred losses and allocated loss adjustment expenses for the Covered Lines are ceded to the reinsurer, the Company is not exposed to changes in the amount, timing and uncertainty of cash flows arising from the Covered Lines. To avoid distortion, the incurred losses and allocated loss adjustment expenses and cumulative paid losses and loss adjustment expenses for the Covered Lines are excluded entirely from the tables below. Unpaid loss and loss adjustment expenses recoverable at December 31, 2025 included \$121 million related to such reinsurance agreements.

The following tables present information on the insurance operation's short-duration insurance contracts:

Property, energy, marine and aviation (in millions except claim count)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2025		
Accident year	Year ended December 31,										Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims	
	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025			
2016	\$ 104	\$ 101	\$ 105	\$ 100	\$ 96	\$ 92	\$ 87	\$ 87	\$ 86	\$ 86	\$ 86	\$ —	6,189
2017		281	246	236	230	231	225	225	224	225	225	—	6,512
2018			181	186	174	170	170	172	170	171	171	—	5,091
2019				179	179	165	161	159	156	156	156	(2)	7,518
2020					359	329	336	333	337	335	335	1	8,558
2021						427	429	423	421	420	420	12	10,380
2022							522	495	576	679	679	91	16,853
2023								571	510	483	483	48	22,016
2024									703	607	607	142	25,054
2025										693	693	327	21,693
											\$ 3,855		

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance													
2016	\$ 25	\$ 83	\$ 98	\$ 97	\$ 94	\$ 91	\$ 87	\$ 87	\$ 86	\$ 86	\$ 86	\$ 86	
2017		30	140	195	212	216	218	220	221	223	223	223	
2018			30	102	135	143	150	154	157	162	162	162	
2019				26	105	134	139	148	153	155	155	155	
2020					56	194	251	293	306	317	317	317	
2021						90	268	343	365	396	396	396	
2022							100	276	337	547	547	547	
2023								146	271	378	378	378	
2024									195	363	363	363	
2025										267	267	267	
										Total	2,894		
												14	
												\$ 975	

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Multi-line and other specialty (in millions except claim count)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2025	
Accident year	Year ended December 31,										Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims
	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025		
2016	\$ 408	\$ 430	\$ 427	\$ 416	\$ 410	\$ 408	\$ 408	\$ 406	\$ 404	\$ 403	\$ 3	196,531
2017		482	500	491	500	504	512	515	514	516	4	235,002
2018			512	564	562	564	564	564	564	566	6	265,421
2019				566	611	639	650	656	670	666	8	247,961
2020					616	567	513	515	519	519	22	170,515
2021						634	618	613	634	643	33	137,791
2022							677	640	639	624	64	156,572
2023								815	809	823	133	176,315
2024									1,419	1,442	508	200,279
2025										1,987	1,195	140,332
										Total	\$ 8,189	

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance												
2016	\$ 176	\$ 304	\$ 341	\$ 362	\$ 379	\$ 385	\$ 390	\$ 391	\$ 396	\$ 397	397	
2017		181	342	380	423	446	472	479	493	499	499	
2018			211	388	442	479	508	526	543	550	550	
2019				212	385	486	548	576	611	629	629	
2020					171	308	358	405	450	469	469	
2021						157	334	427	511	557	557	
2022							177	370	439	491	491	
2023								253	489	588	588	
2024									336	727	727	
2025										493	493	
										Total	5,400	
											All outstanding liabilities before 2016, net of reinsurance	38
											Liabilities for losses and loss adjustment expenses, net of reinsurance	\$ 2,827

The following table presents the average annual percentage payout of incurred losses and allocated loss adjustment expenses by age, net of reinsurance, as of December 31, 2025:

	Average annual percentage payout of incurred losses and allocated loss adjustment expenses by age, net of reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Property, energy, marine and aviation	23.0 %	41.4 %	18.2 %	8.9 %	3.3 %	1.0 %	— %	1.1 %	(0.1) %	0.1 %
Third party occurrence business	3.7 %	10.1 %	12.4 %	13.4 %	11.3 %	10.5 %	6.1 %	5.0 %	4.6 %	2.0 %
Third party claims-made business	4.7 %	16.1 %	16.3 %	12.0 %	13.3 %	11.8 %	6.4 %	7.7 %	1.3 %	2.4 %
Multi-line and other specialty	31.2 %	29.0 %	11.0 %	8.5 %	5.6 %	3.7 %	2.1 %	1.4 %	1.1 %	0.4 %

Reinsurance Operations

Loss Reserves for the Company's reinsurance operations are comprised of (1) case reserves, (2) additional case reserves ("ACRs") and (3) IBNR reserves. The Company receives reports of claims notices from ceding companies and records case reserves based upon the amount of reserves recommended by the ceding company. Case reserves may be supplemented by ACRs, which may be estimated by the Company's claims personnel ahead of official notification from the ceding company, or when judgment regarding the size or severity of the known event differs from the ceding company. In certain instances, the Company establishes ACRs even when the ceding company does not report any liability on a known event. In addition, specific claim information reported by ceding companies or obtained through claim audits can alert the Company to emerging trends such as changing legal interpretations of coverage and liability, claims from unexpected sources or classes of business, and significant changes in the frequency or severity of individual claims. Such information is often used in the process of estimating IBNR reserves. IBNR reserves are established to provide for incurred claims which have not yet been reported at the balance sheet date as well as to adjust for any projected variance in case reserving. Actuaries estimate ultimate losses and loss adjustment expenses using various generally accepted actuarial methods applied to known losses and other relevant information. Like case reserves, IBNR reserves are adjusted as additional information becomes known or payments are made. The process of estimating Loss Reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain.

The estimation of Loss Reserves for the reinsurance operations is subject to the same risk factors as the estimation of Loss Reserves for the insurance operations. In addition, the inherent uncertainties of estimating such reserves are even greater for reinsurers, due primarily to the following factors: (1) the claim-tail for reinsurers is generally longer because claims are first reported to the ceding company and then to the reinsurer through one or more intermediaries, (2) the reliance on premium

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estimates, where reports have not been received from the ceding company, in the reserving process, (3) the potential for writing a number of reinsurance contracts with different ceding companies with the same exposure to a single loss event, (4) the diversity of loss development patterns among different types of reinsurance contracts, (5) the necessary reliance on the ceding companies for information regarding reported claims and (6) the differing reserving practices among ceding companies.

Ultimate losses and loss adjustment expenses are generally determined by projection of claim emergence and settlement patterns observed in the past that can reasonably be expected to persist into the future. As with the insurance operations, the process of estimating Loss Reserves for the reinsurance operations involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. As discussed above, such uncertainty is greater for reinsurers compared to insurers. As a result, our reinsurance operations obtain information from numerous sources to assist in the process. Pricing actuaries from the reinsurance operations devote considerable effort to understanding and analyzing a ceding company's operations and loss history during the underwriting of the business, using a combination of ceding company and industry statistics. Such statistics normally include historical premium and loss data by class of business, individual claim information for larger claims, distributions of insurance limits provided, loss reporting and payment patterns, and rate change history. This analysis is used to project expected loss ratios for each treaty during the upcoming contract period.

As mentioned above, there can be a considerable time lag from the time a claim is reported to a ceding company to the time it is reported to the reinsurer. The lag can be several years in some cases and may be attributed to a number of reasons, including the time it takes to investigate a claim, delays associated with the litigation process, the deterioration in a claimant's physical condition many years after an accident occurs, the case reserving approach of the ceding company, etc. In the reserving process, the Company assumes that such lags are predictable, on average, over time and therefore the lags are contemplated in the loss reporting patterns used in their actuarial methods. This means that the reinsurance operations must rely on estimates for a longer period of time than does an insurance company. Backlogs in the recording of assumed reinsurance can also complicate the accuracy of loss reserve estimation. As of December 31, 2025 there were no significant backlogs related to the processing of assumed reinsurance information at our reinsurance operations.

The reinsurance operations relies heavily on information reported by ceding companies, as discussed above. In order to determine the accuracy and completeness of such information, underwriters, actuaries, and claims personnel often perform audits of ceding companies and regularly review information received from ceding companies for unusual or unexpected results. Material findings are usually discussed with the ceding companies. The Company sometimes encounters situations where they determine that a claim presentation from a ceding company is not in accordance with contract terms. In these situations, the Company attempts to resolve the dispute with the ceding company. Most situations are resolved amicably and without the need for litigation or arbitration. However, in the infrequent situations where a resolution is not possible, the Company will vigorously defend its position in such disputes.

Although Loss Reserves are initially determined based on underwriting and pricing analysis, the Company applies several generally accepted actuarial methods, as discussed above, on a quarterly basis to evaluate its Loss Reserves in addition to the expected loss method, in particular for reserves from more mature underwriting years (the year in which business is underwritten). Each quarter, as part of the reserving process, the Company's actuaries reaffirm that the assumptions used in the reserving process continue to form a sound basis for projection of liabilities. If actual loss activity differs substantially from expectations based on historical information, an adjustment to Loss Reserves may be supported. Estimated Loss Reserves for more mature underwriting years are now based more on actual loss activity and historical patterns than on the initial assumptions based on pricing indications. More recent underwriting years rely more heavily on internal pricing assumptions. The Company places more or less reliance on a particular actuarial method based on the facts and circumstances at the time the estimates of Loss Reserves are made.

In the initial reserving process for short-tail reinsurance lines (consisting of property excluding property catastrophe and property catastrophe exposures), the Company relies on a combination of the reserving methods discussed above. For known catastrophic events, the reserving process also includes the usage of catastrophe models and a heavy reliance on analysis which includes ceding company inquiries and management judgment. The development of property losses may be unstable, especially where there is high catastrophic exposure, may be characterized by high severity, low frequency losses for excess and catastrophe-exposed business and may be highly correlated across contracts. As time passes, for a given underwriting year, additional weight is given to the paid and incurred B-F loss development methods and historical paid and incurred loss development methods in the reserving process. The Company makes a number of key assumptions in reserving for short-tail lines, including that historical paid and reported development patterns are stable, catastrophe models provide useful information about our exposure to catastrophic events that have occurred and our underwriters' judgment and guidance

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received from ceding companies as to potential loss exposures may be relied on. The expected loss ratios used in the initial reserving process for property exposures have varied over time due to changes in pricing, reinsurance structure, estimates of catastrophe losses, terms and conditions and geographical distribution. As losses in property lines are reported relatively quickly, expected loss ratios are selected for the current underwriting year incorporating the experience for earlier underwriting years, adjusted for rate changes, inflation, changes in reinsurance programs, expectations about present and future market conditions and expected attritional losses based on modeling. Due to the short-tail nature of property business, reported loss experience emerges quickly and ultimate losses are known in a reasonably short period of time.

In the initial reserving process for long-tail reinsurance lines (consisting of casualty, specialty, marine and aviation and other exposures), the Company primarily relies on the expected loss method. The development of long-tail business may be unstable, especially if there are high severity major events, with business written on an excess of loss basis typically having a longer tail than business written on a pro rata basis. As time passes, for a given underwriting year, additional weight is given to the paid and incurred B-F loss development methods and eventually to the historical paid and incurred loss development methods in the reserving process. Our reinsurance operations make a number of key assumptions in reserving for long-tail lines, including that the pricing loss ratio is the best estimate of the ultimate loss ratio at the time the contract is entered into, historical paid and reported development patterns are stable and claims personnel and underwriters' analyses of our exposure to major events are our best estimate of our exposure to the known claims on those events. The expected loss ratios used in our reinsurance operations' initial reserving process for long-tail contracts have varied over time due to changes in pricing, terms and conditions and reinsurance structure. As the credibility of historical experience for earlier underwriting years increases, the experience from these underwriting years is used in the actuarial analysis to determine future underwriting year expected loss ratios, adjusted for changes in pricing, loss trends, terms and conditions and reinsurance structure.

The following tables present information on the reinsurance operations' short-duration insurance contracts:

Casualty (in millions)											December 31, 2025	
Incurred losses and allocated loss adjustment expenses, net of reinsurance												
Year ended December 31,											Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims
Accident year	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025		
2016	\$ 216	\$ 228	\$ 252	\$ 267	\$ 274	\$ 273	\$ 277	\$ 285	\$ 287	\$ 289	\$ 45	N/A
2017		271	258	274	302	314	321	336	343	346	55	N/A
2018			281	295	286	291	304	314	328	332	53	N/A
2019				336	346	372	384	406	405	402	65	N/A
2020					389	377	360	379	399	365	108	N/A
2021						444	438	428	428	464	163	N/A
2022							552	533	546	539	241	N/A
2023								664	669	695	385	N/A
2024									734	776	624	N/A
2025										1,002	928	N/A
									Total	\$ 5,210		

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance											
2016	\$ 6	\$ 26	\$ 52	\$ 87	\$ 114	\$ 133	\$ 158	\$ 174	\$ 188	\$ 197	
2017		6	30	64	113	138	165	190	224	239	
2018			8	31	107	129	155	183	207	224	
2019				16	58	97	131	220	258	287	
2020					18	51	90	132	178	202	
2021						15	54	103	191	236	
2022							18	62	114	182	
2023								19	88	173	
2024									14	66	
2025										25	
									Total	1,831	
										All outstanding liabilities before 2016, net of reinsurance	406
										Liabilities for losses and loss adjustment expenses, net of reinsurance	\$ 3,785

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Property catastrophe (in millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2025	
Accident year	Year ended December 31,										Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims
	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025		
2016	\$ 23	\$ 16	\$ 12	\$ 9	\$ 6	\$ 6	\$ 5	\$ 4	\$ 4	\$ 4	\$ —	N/A
2017		86	54	50	36	24	21	21	21	20	—	N/A
2018			69	44	25	12	3	—	(2)	(4)	1	N/A
2019				12	4	4	(4)	(11)	(7)	(8)	—	N/A
2020					272	337	341	330	319	321	5	N/A
2021						323	318	305	307	302	11	N/A
2022							306	298	273	262	30	N/A
2023								272	272	227	18	N/A
2024									512	441	67	N/A
2025										415	84	N/A
										Total	\$ 1,980	

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance													
2016	\$ (7)	\$ 2	\$ 2	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 3			
2017		31	32	37	27	14	16	17	17	17			
2018			27	2	12	(17)	(14)	(13)	(11)	(12)			
2019				4	4	8	(17)	(16)	(25)	(26)			
2020					57	158	208	251	262	271			
2021						66	177	230	239	243			
2022							70	169	211	219			
2023								8	84	120			
2024									60	145			
2025										82			
										Total	1,062		
												All outstanding liabilities before 2016, net of reinsurance	2
												Liabilities for losses and loss adjustment expenses, net of reinsurance	\$ 920

Property excluding property catastrophe (in millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2025	
Accident year	Year ended December 31,										Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims
	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025		
2016	\$ 174	\$ 144	\$ 136	\$ 135	\$ 138	\$ 135	\$ 129	\$ 130	\$ 127	\$ 124	\$ 3	N/A
2017		267	250	237	230	213	205	202	201	197	6	N/A
2018			223	239	235	212	202	203	203	197	3	N/A
2019				216	206	195	190	190	196	193	11	N/A
2020					368	339	319	320	322	313	(1)	N/A
2021						546	497	491	499	500	14	N/A
2022							745	670	660	656	70	N/A
2023								839	740	744	117	N/A
2024									1,212	1,056	325	N/A
2025										1,170	648	N/A
										Total	\$ 5,150	

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance													
2016	\$ 33	\$ 94	\$ 98	\$ 103	\$ 111	\$ 113	\$ 114	\$ 114	\$ 117	\$ 116			
2017		28	124	155	164	178	182	186	186	186			
2018			30	107	151	167	175	177	177	181			
2019				43	124	150	162	169	170	174			
2020					101	207	243	266	280	291			
2021						136	269	363	424	457			
2022							142	360	468	526			
2023								151	382	489			
2024									144	445			
2025										190			
										Total	3,055		
												All outstanding liabilities before 2016, net of reinsurance	8
												Liabilities for losses and loss adjustment expenses, net of reinsurance	\$ 2,103

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Marine and aviation (in millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2025	
Year ended December 31,											Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims
Accident year	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025		
2016	\$ 27	\$ 23	\$ 23	\$ 19	\$ 17	\$ 15	\$ 12	\$ 11	\$ 11	\$ 10	\$ 2	N/A
2017		29	26	24	21	20	17	15	15	15	2	N/A
2018			27	25	24	24	21	21	20	19	2	N/A
2019				48	55	60	61	62	63	60	6	N/A
2020					83	76	80	80	82	81	4	N/A
2021						110	96	82	79	86	8	N/A
2022							126	138	134	167	38	N/A
2023								161	170	156	44	N/A
2024									233	220	100	N/A
2025										227	172	N/A
									Total	\$ 1,041		

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance												
2016	(7)	\$ (2)	\$ —	\$ 3	\$ 6	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 8	
2017		2	7	9	11	12	12	12	12	12	12	
2018			2	7	11	13	14	15	16	16	16	
2019				11	22	29	35	43	49	49	49	
2020					9	26	42	60	66	71	71	
2021						8	24	45	53	68	68	
2022							12	37	63	86	86	
2023								13	43	77	77	
2024									18	44	44	
2025										16	16	
									Total	447		
											18	All outstanding liabilities before 2016, net of reinsurance
											\$ 612	Liabilities for losses and loss adjustment expenses, net of reinsurance

Specialty (in millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2025	
Year ended December 31,											Total of IBNR liabilities plus expected development on reported claims	Cumulative number of reported claims
Accident year	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025		
2016	\$ 338	\$ 335	\$ 328	\$ 319	\$ 329	\$ 321	\$ 318	\$ 319	\$ 312	\$ 315	\$ 6	N/A
2017		412	405	385	386	384	379	376	372	378	11	N/A
2018			431	423	417	442	438	438	431	425	16	N/A
2019				441	418	412	408	418	413	398	25	N/A
2020					607	536	531	551	543	532	36	N/A
2021						628	629	630	637	638	33	N/A
2022							962	942	991	950	108	N/A
2023								1,303	1,230	1,321	330	N/A
2024									1,696	1,647	623	N/A
2025										1,960	1,275	N/A
									Total	\$ 8,564		

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance												
2016	\$ 113	\$ 213	\$ 251	\$ 271	\$ 288	\$ 295	\$ 301	\$ 305	\$ 304	\$ 305	\$ 305	
2017		141	266	309	325	339	350	360	361	362	362	
2018			135	286	326	348	366	389	393	392	392	
2019				126	217	286	313	335	355	354	354	
2020					138	299	377	413	453	471	471	
2021						156	319	443	508	546	546	
2022							186	465	627	698	698	
2023								207	502	714	714	
2024									331	705	705	
2025										383	383	
									Total	4,930		
											35	All outstanding liabilities before 2016, net of reinsurance
											\$ 3,669	Liabilities for losses and loss adjustment expenses, net of reinsurance

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The following table presents the average annual percentage payout of incurred losses and allocated loss adjustment expenses by age, net of reinsurance, as of December 31, 2025:

	Average annual percentage payout of incurred losses and allocated loss adjustment expenses by age, net of reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Casualty	2.9 %	8.2 %	11.8 %	12.1 %	11.5 %	7.8 %	7.6 %	6.8 %	4.7 %	3.0 %
Property catastrophe	(62.4)%	110.1 %	(23.8)%	138.8 %	(24.8)%	17.4 %	(4.8)%	1.0 %	2.2 %	5.7 %
Property excluding property catastrophe	20.9 %	37.0 %	14.5 %	7.3 %	5.4 %	1.8 %	1.2 %	0.7 %	1.1 %	(0.7)%
Marine and aviation	1.8 %	24.3 %	19.8 %	15.0 %	12.2 %	6.4 %	2.0 %	1.1 %	1.1 %	6.2 %
Specialty	26.2 %	28.2 %	14.6 %	6.7 %	5.4 %	3.8 %	1.2 %	0.5 %	— %	0.1 %

Mortgage Operations

The Company's mortgage operations includes (1) U.S. primary mortgage insurance, (2) U.S. credit risk transfer and other, and (3) International mortgage insurance and reinsurance. The latter two categories along with second lien and student loan exposures are excluded on the basis of insignificance for the purposes of presenting disclosures related to short duration contracts.

For primary mortgage insurance business, the Company establishes case reserves for loans that have been reported as delinquent by loan servicers as well as those that are delinquent but not reported (IBNR reserves). The Company also reserves for the expenses of adjusting claims related to these delinquencies. The trigger that creates a case reserve estimate is that an insured loan is reported to us as being two payments in arrears. The actuarial reviews and documentation created in the reserving process are completed in accordance with generally accepted actuarial standards. The selected assumptions reflect actuarial judgment based on the analysis of historical data and experience combined with information concerning current underwriting, economic, judicial, regulatory and other influences on ultimate claim settlements.

Because the reserving process requires the Company to forecast future conditions, it is inherently uncertain and requires significant judgment and estimation. The use of different estimates would result in the establishment of different reserve levels. Additionally, changes in estimates are likely to occur from period to period as economic conditions change, and the ultimate liability may vary significantly from the estimates used. Major risk factors include (but are not limited to) changes in home prices and borrower equity, which can limit the borrower's ability to sell the property and satisfy the outstanding loan balance, and changes in unemployment, which can affect the borrower's income and ability to make mortgage payments.

The lead actuarial methodology used by the Company is a frequency-severity method based on the inventory of pending delinquencies. Each month the loan servicers report the delinquency status of each insured loan. Using the frequency-severity method allows the Company to take advantage of its knowledge of the number of delinquent loans and the coverage provided ("risk size") on those loans by directly relating the reserves to these amounts. The delinquencies are grouped into homogeneous cohorts for analysis, reflecting the age of delinquency. A claim rate is then developed for each cohort which represents the frequency with which the delinquencies become claims. The claim frequency rates are based on an analysis of the patterns of emerging cure counts and claim counts, the foreclosure status of the pending delinquencies, the product and geographical mix of the delinquencies and our view of future economic and claim conditions, which include trends in home prices and unemployment. Claim rates can vary materially by age of delinquency, depending on the mix of delinquencies and economic conditions.

Claim size severity estimates are determined by examining the risk sizes on the delinquent loans and estimating the portion of risk that will be paid, as well as any expenses. This is done based on a review of historical development patterns, an assessment of economic conditions and the level of equity the borrowers may have in their homes, as well as considering economic conditions and loss mitigation opportunities. Mortgage insurance is generally not subject to large claim sizes, as with some other lines of insurance. A claim size over \$250,000 is rare, and this helps reduce the volatility of claim size estimates.

The claim rate and claim size assumptions generate case reserves for the population of reported delinquencies. The reserve for unreported delinquencies (included in IBNR reserves) is estimated by looking at historical patterns of reporting. Claim rates and claim sizes can then be assigned to estimated unreported delinquencies using assumptions made in the establishment of case reserves.

Mortgage insurance Loss Reserves are short-tail, in the sense that the vast majority of delinquencies are resolved within two years of being reported. While reserves are initially analyzed by reserve cohort, as described above, they are also rolled up by underwriting year to ensure that reserve assumptions are consistent with the performance of the underwriting year. The

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accuracy of prior reserve assumptions is also checked in hindsight to determine if adjustments to the assumptions are needed.

Loss Reserves for the Company's mortgage reinsurance business and GSE credit risk sharing transactions are comprised of case reserves and IBNR reserves. The Company's mortgage reinsurance operations receive reports of delinquent loans and claims notices from ceding companies and record case reserves based upon the amount of reserves recommended by the ceding company. In addition, specific claim and delinquency information reported by ceding companies is used in the process of estimating IBNR reserves.

The following table presents information on the mortgage operations' short-duration insurance contracts:

U.S. primary mortgage insurance (in millions except claim count)											December 31, 2025		
Incurred losses and allocated loss adjustment expenses, net of reinsurance											Total of IBNR liabilities plus expected development on reported claims	Cumulative number of paid claims	
Accident year	2016 unaudited	2017 unaudited	2018 unaudited	2019 unaudited	2020 unaudited	2021 unaudited	2022 unaudited	2023 unaudited	2024 unaudited	2025			
Year ended December 31,													
2016	\$ 184	\$ 171	\$ 149	\$ 141	\$ 142	\$ 142	\$ 137	\$ 136	\$ 136	\$ 136	—	3,564	
2017		179	132	107	108	109	102	99	99	97	—	2,723	
2018			132	96	89	88	72	69	69	66	—	1,990	
2019				108	119	110	63	51	52	48	—	1,491	
2020					420	374	78	33	31	26	—	904	
2021						144	77	20	17	13	—	443	
2022							173	55	30	22	—	604	
2023								182	71	36	—	727	
2024									180	86	—	509	
2025										191	1	87	
									Total	\$ 721			
Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance													
2016	\$ 11	\$ 72	\$ 113	\$ 127	\$ 131	\$ 132	\$ 132	\$ 133	\$ 134	\$ 135			
2017		9	48	79	87	90	92	93	95	95			
2018			4	31	50	56	59	60	63	64			
2019				3	20	29	34	39	42	44			
2020					1	4	8	13	19	21			
2021						—	2	5	8	10			
2022							—	3	10	14			
2023								—	7	18			
2024										1			
2025												2	
									Total	419			
												9	
												Total	\$ 311

The following table presents the average annual percentage payout of incurred losses and allocated loss adjustment expenses by age, net of reinsurance, as of December 31, 2025:

	Average annual percentage payout of incurred losses and allocated loss adjustment expenses by age, net of reinsurance									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
U.S. Primary	4.1 %	26.0 %	26.0 %	14.3 %	9.6 %	4.2 %	2.6 %	1.3 %	0.7 %	0.5 %

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The following table represents a reconciliation of the disclosures of net incurred and paid loss development tables to the reserve for losses and loss adjustment expenses at December 31, 2025:

	December 31, 2025
Net outstanding liabilities	
Insurance	
Property, energy, marine and aviation	\$ 975
Third party occurrence business	4,454
Third party claims-made business	2,814
Multi-line and other specialty	2,827
Reinsurance	
Casualty	3,785
Property catastrophe	920
Property excluding property catastrophe	2,103
Marine and aviation	612
Specialty	3,669
Mortgage	
U.S. primary	311
Other short duration lines not included in disclosures (1)	1,436
Total for short duration lines	23,906
Unpaid losses and loss adjustment expenses recoverable	
Insurance	
Property, energy, marine and aviation	456
Third party occurrence business	2,893
Third party claims-made business	907
Multi-line and other specialty	436
Reinsurance	
Casualty	861
Property catastrophe	911
Property excluding property catastrophe	362
Marine and aviation	549
Specialty	1,386
Mortgage	
U.S. primary	42
Other short duration lines not included in disclosures (2)	271
Intercompany eliminations	(20)
Total for short duration lines	9,054
Lines other than short duration	136
Discounting	(78)
Unallocated claims adjustment expenses	529
	587
Reserve for losses and loss adjustment expenses	\$ 33,547

(1) Includes amounts primarily associated with the loss portfolio reinsurance agreement related to the MCE Acquisition. See note 2.

(2) Includes unpaid loss and loss adjustment expenses recoverable of \$121 million related to the loss portfolio transfer reinsurance agreements.

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7. Allowance for Expected Credit Losses

Premiums Receivable

The following table provides a roll forward of the allowance for expected credit losses of the Company's premium receivables:

	December 31, 2025	
	Premium Receivables, Net of Allowance	Allowance for Expected Credit Losses
Balance at beginning of period	\$ 5,634	\$ 45
Change for provision of expected credit losses (1)		(2)
Balance at end of period	\$ 5,723	\$ 43

	December 31, 2024	
	Premium Receivables, Net of Allowance	Allowance for Expected Credit Losses
Balance at beginning of period	\$ 4,644	\$ 34
Provision on business acquired (2)		16
Change for provision of expected credit losses (1)		(5)
Balance at end of period	\$ 5,634	\$ 45

(1) Amounts deemed uncollectible are written-off in operating expenses. For the 2025 and 2024 periods, amounts written off totaled \$3 million and \$3 million, respectively.

(2) Reflects provision for current expected credit losses on premiums receivable related to the MCE Acquisition. See note 2.

Reinsurance Recoverables

The Company monitors the financial condition of its reinsurers and attempts to place coverages only with substantial, financially sound carriers. Although the Company has not experienced any material credit losses to date, an inability of its reinsurers or retrocessionaires to meet their obligations to it over the relevant exposure periods for any reason could have a material adverse effect on its financial condition and results of operations.

The following table provides a roll forward of the allowance for expected credit losses of the Company's reinsurance recoverables:

	December 31, 2025	
	Reinsurance Recoverables, Net of Allowance	Allowance for Expected Credit Losses
Balance at beginning of period	\$ 8,260	\$ 17
Change for provision of expected credit losses		—
Balance at end of period	\$ 9,526	\$ 17

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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	December 31, 2024	
	Reinsurance Recoverables, Net of Allowance	Allowance for Expected Credit Losses
Balance at beginning of period	\$ 7,064	\$ 21
Change for provision of expected credit losses		(4)
Balance at end of period	\$ 8,260	\$ 17

The following table summarizes the Company's reinsurance recoverables on paid and unpaid losses (not including ceded unearned premiums) at December 31, 2025 and 2024:

	December 31,	
	2025	2024
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses	\$ 9,526	\$ 8,260
% due from carriers with A.M. Best rating of "A-" or better	62.1 %	63.8 %
% due from all other carriers with no A.M. Best rating (1)	37.9 %	36.2 %
Largest balance due from any one carrier as % of total shareholders' equity	7.8 %	7.4 %

(1) At December 31, 2025 and 2024 period, over 96% of such amounts were collateralized through reinsurance trusts, funds withheld arrangements, letters of credit or other.

Contractholder Receivables

The following table provides a roll forward of the allowance for expected credit losses of the Company's contractholder receivables:

	December 31, 2025	
	Contractholder Receivables, Net of Allowance	Allowance for Expected Credit Losses
Balance at beginning of period	\$ 2,161	\$ 5
Change for provision of expected credit losses		2
Balance at end of period	\$ 2,270	\$ 7

	December 31, 2024	
	Contractholder Receivables, Net of Allowance	Allowance for Expected Credit Losses
Balance at beginning of period	\$ 1,814	\$ 3
Change for provision of expected credit losses		2
Balance at end of period	\$ 2,161	\$ 5

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8. Reinsurance

In the normal course of business, the Company's insurance subsidiaries cede a portion of their premium through pro rata and excess of loss reinsurance agreements on a treaty or facultative basis to third parties. The Company's reinsurance subsidiaries participate in "common account" retrocessional arrangements for certain pro rata treaties. Such arrangements reduce the effect of individual or aggregate losses to all companies participating on such treaties, including the reinsurers, such as the Company's reinsurance subsidiaries, and the ceding company. In addition, the Company's reinsurance subsidiaries may purchase retrocessional coverage as part of their risk management program. The Company's mortgage subsidiaries cede a portion of their premium through quota share arrangements and enter into various aggregate excess of loss mortgage reinsurance agreements with various special purpose reinsurance companies. Reinsurance recoverables are recorded as assets, predicated on the reinsurers' ability to meet their obligations under the reinsurance agreements. If the reinsurers are unable to satisfy their obligations under the agreements, the Company's insurance or reinsurance subsidiaries would be liable for such defaulted amounts.

The effects of reinsurance on the Company's written and earned premiums and losses and loss adjustment expenses with unaffiliated reinsurers were as follows:

	Year Ended December 31,	
	2025	2024
Premiums Written		
Direct	\$ 10,250	\$ 10,056
Assumed	12,628	11,455
Ceded	(6,402)	(5,779)
Net	<u>\$ 16,476</u>	<u>\$ 15,732</u>
Premiums Earned		
Direct	\$ 10,200	\$ 9,721
Assumed	13,089	10,880
Ceded	(6,224)	(5,501)
Net	<u>\$ 17,065</u>	<u>\$ 15,100</u>
Losses and Loss Adjustment Expenses		
Direct	\$ 5,975	\$ 5,676
Assumed	7,260	6,137
Ceded	(3,865)	(3,471)
Net	<u>\$ 9,370</u>	<u>\$ 8,342</u>

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Bellemeade Re

The Company has entered into various aggregate excess of loss mortgage reinsurance agreements with various special purpose reinsurance companies domiciled in Bermuda (the “Bellemeade Agreements”). For the respective coverage periods, the Company will retain the first layer of the respective aggregate losses and the special purpose reinsurance companies will provide second layer coverage up to the outstanding coverage amount. The Company will then retain losses in excess of the outstanding coverage limit. The aggregate excess of loss reinsurance coverage decreases over a ten-year period as the underlying covered mortgages amortize. See note 4.

The following table summarizes the respective coverages and retentions at December 31, 2025:

	Initial Coverage at Issuance	December 31, 2025	
		Current Coverage	Remaining Retention, Net
2021-3 Ltd. (1)	639	35	130
2022-1 Ltd. (2)	317	54	135
2022-2 Ltd. (3)	327	134	187
2023-1 Ltd. (4)	233	186	164
2024-1 Ltd. (5)	204	163	170
2025-1 Ltd. (6)	249	239	166
Total	\$ 1,969	\$ 811	\$ 952

- (1) Issued in September 2021, covering in-force policies issued between April 1, 2021 and June 30, 2021. \$508 million was directly funded by Bellemeade Re 2021-3 Ltd. via insurance-linked notes, with an additional \$131 million capacity provided directly to Arch MI U.S. by a separate panel of reinsurers.
- (2) Issued in January 2022, covering in-force policies issued between July 1, 2021 and November 30, 2021. \$284 million was directly funded by Bellemeade Re 2022-1 Ltd. via insurance-linked notes, with an additional \$33 million capacity provided directly to Arch MI U.S. by a separate panel of reinsurers.
- (3) Issued in September 2022, covering in-force policies issued between November 1, 2021 and June 30, 2022. \$201 million was directly funded by Bellemeade Re 2022-2 Ltd. via insurance-linked notes, with an additional \$126 million capacity provided directly to Arch MI U.S. by a separate panel of reinsurers.
- (4) Issued in October 2023, covering in-force policies issued between January 1, 2023 and September 30, 2023. \$186 million was directly funded by Bellemeade Re 2023-1 Ltd. via insurance-linked notes, with an additional \$47 million capacity provided directly to Arch MI U.S. by a separate panel of reinsurers.
- (5) Issued in August 2024, covering in-force policies issued between September 1, 2023 and July 31, 2024. \$163 million was directly funded by Bellemeade Re 2024-1 Ltd. via insurance-linked notes, with an additional \$41 million capacity provided directly to Arch MI U.S. by a separate panel of reinsurers.
- (6) Issued in November 2025, covering in-force policies issued between July 1, 2024 and September 30, 2025. \$199 million was directly funded by Bellemeade Re 2025-1 Ltd. via insurance-linked notes, with an additional \$50 million capacity provided directly to Arch MI U.S. by a separate panel of reinsurers.

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9. Investment Information

Available For Sale Investments

The following table summarizes the fair value and cost or amortized cost of the Company's securities classified as available for sale:

	Estimated Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Cost or Amortized Cost
December 31, 2025					
Fixed maturities:					
Corporate bonds	\$ 14,058	\$ 265	\$ (142)	\$ (10)	\$ 13,945
U.S. government and government agencies	7,445	23	(21)	—	7,443
Asset backed securities	3,574	20	(15)	(8)	3,577
Non-U.S. government securities	3,270	53	(81)	(1)	3,299
Residential mortgage backed securities	2,705	34	(21)	—	2,692
Commercial mortgage backed securities	1,212	11	(5)	(1)	1,207
Municipal bonds	162	—	(4)	—	166
Total	32,426	406	(289)	(20)	32,329
Short-term investments	2,574	3	(1)	—	2,572
Total	\$ 35,000	\$ 409	\$ (290)	\$ (20)	\$ 34,901
December 31, 2024					
Fixed maturities:					
Corporate bonds	\$ 12,487	\$ 110	\$ (346)	\$ (12)	\$ 12,735
U.S. government and government agencies	6,710	8	(149)	—	6,851
Asset backed securities	2,900	19	(32)	(8)	2,921
Non-U.S. government securities	2,538	30	(107)	(1)	2,616
Residential mortgage backed securities	1,079	6	(31)	—	1,104
Commercial mortgage backed securities	1,058	6	(11)	(1)	1,064
Municipal bonds	263	—	(16)	—	279
Total	27,035	179	(692)	(22)	27,570
Short-term investments	2,720	2	(2)	—	2,720
Total	\$ 29,755	\$ 181	\$ (694)	\$ (22)	\$ 30,290

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The following table summarizes, for all available for sale securities in an unrealized loss position, the fair value and gross unrealized loss by length of time the security has been in a continual unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2025						
Fixed maturities:						
Corporate bonds	\$ 2,972	\$ (64)	\$ 1,364	\$ (78)	\$ 4,336	\$ (142)
U.S. government and government agencies	3,092	(15)	274	(6)	3,366	(21)
Non-U.S. government securities	2,087	(35)	432	(46)	2,519	(81)
Asset backed securities	806	(2)	332	(13)	1,138	(15)
Residential mortgage backed securities	312	(3)	178	(18)	490	(21)
Commercial mortgage backed securities	239	(1)	48	(4)	287	(5)
Municipal bonds	6	—	137	(4)	143	(4)
Total	9,514	(120)	2,765	(169)	12,279	(289)
Short-term investments	614	(1)	—	—	614	(1)
Total	\$ 10,128	\$ (121)	\$ 2,765	\$ (169)	\$ 12,893	\$ (290)
December 31, 2024						
Fixed maturities:						
Corporate bonds	\$ 4,582	\$ (114)	\$ 2,924	\$ (232)	\$ 7,506	\$ (346)
U.S. government and government agencies	5,130	(100)	516	(49)	5,646	(149)
Non-U.S. government securities	1,650	(58)	418	(49)	2,068	(107)
Asset backed securities	236	(8)	426	(24)	662	(32)
Residential mortgage backed securities	571	(6)	186	(25)	757	(31)
Commercial mortgage backed securities	180	(1)	434	(10)	614	(11)
Municipal bonds	48	(1)	176	(15)	224	(16)
Total	12,397	(288)	5,080	(404)	17,477	(692)
Short-term investments	97	(2)	—	—	97	(2)
Total	\$ 12,494	\$ (290)	\$ 5,080	\$ (404)	\$ 17,574	\$ (694)

At December 31, 2025, on a lot level basis, approximately 7,240 security lots out of a total of approximately 25,325 security lots were in an unrealized loss position and the largest single unrealized loss from a single lot in the Company's fixed maturity portfolio was \$4 million. The Company believes that such securities were temporarily impaired at December 31, 2025. At December 31, 2024, on a lot level basis, approximately 9,980 security lots out of a total of approximately 20,923 security lots were in an unrealized loss position and the largest single unrealized loss from a single lot in the Company's fixed maturity portfolio was \$8 million.

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The contractual maturities of the Company's fixed maturities are shown in the following table. Expected maturities, which are management's best estimates, will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Maturity	December 31, 2025		December 31, 2024	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	\$ 370	\$ 366	\$ 438	\$ 451
Due after one year through five years	17,053	16,989	15,364	15,590
Due after five years through 10 years	6,893	6,877	5,811	6,039
Due after 10 years	619	621	385	401
	<u>24,935</u>	<u>24,853</u>	<u>21,998</u>	<u>22,481</u>
Mortgage backed securities	2,705	2,692	1,079	1,104
Commercial mortgage backed securities	1,212	1,207	1,058	1,064
Asset backed securities	3,574	3,577	2,900	2,921
Total	<u>\$ 32,426</u>	<u>\$ 32,329</u>	<u>\$ 27,035</u>	<u>\$ 27,570</u>

Equity Securities, at Fair Value

At December 31, 2025, the Company held \$1.9 billion of equity securities, at fair value, compared to \$1.7 billion at December 31, 2024.

Net Investment Income

The components of net investment income were derived from the following sources:

	Year Ended December 31,	
	2025	2024
Fixed maturities	\$ 1,465	\$ 1,266
Short-term investments	100	140
Equity securities (dividends)	41	40
Other (1)	108	136
Gross investment income	<u>1,714</u>	<u>1,582</u>
Investment expenses	(103)	(93)
Net investment income	<u>\$ 1,611</u>	<u>\$ 1,489</u>

(1) Amounts include dividends and other distributions on investment funds, term loan investments, funds held balances, cash balances and other items.

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Net Realized Gains (Losses)

Net realized gains (losses) were as follows:

	Year Ended December 31,	
	2025	2024
Available for sale securities:		
Gross gains on investment sales	\$ 296	\$ 259
Gross losses on investment sales	(271)	(354)
Change in fair value of assets and liabilities accounted for using the fair value option:		
Fixed maturities	29	3
Other investments	38	(144)
Equity securities	—	(1)
Short-term investments	3	—
Equity securities at fair value:		
Net realized gains (losses) on securities sold	84	62
Net unrealized gains (losses) on equity securities still held at reporting date	130	108
Allowance for credit losses:		
Investments related	(6)	—
Underwriting related	3	5
Derivative instruments (1)	327	8
Other (2)	(159)	255
Net realized gains (losses)	<u>\$ 474</u>	<u>\$ 201</u>

(1) See note 11 for information on the Company's derivative instruments.

(2) Amounts in the 2025 periods primarily include losses related to the sale of certain alternative investments accounted for under the equity method, while amounts in the 2024 period include benefits from the sale of Castel Underwriting Agencies Limited and the acquisition of RMIC Companies, Inc.

Other Investments, at Fair Value

The following table summarizes the Company's assets and liabilities which are accounted for using the fair value option:

	December 31,	
	2025	2024
Other investments	1,957	2,135
Fixed maturities	\$ 1,110	\$ 854
Short-term investments	64	70
Equity securities	5	7
Total other investments	<u>\$ 3,136</u>	<u>\$ 3,066</u>

The following table summarizes the Company's other investments, as detailed in the previous table, by strategy:

	December 31,	
	2025	2024
Investment grade fixed income	1,225	1,055
Private equity	250	229
Lending	220	303
Term loan investments	173	430
Credit related funds	87	99
Energy	2	19
Total	<u>\$ 1,957</u>	<u>\$ 2,135</u>

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Limited Partnership Interests

In the normal course of its activities, the Company invests in limited partnerships as part of its overall investment strategy. Such amounts are included in ‘investments accounted for using the equity method’ and ‘investments accounted for using the fair value option.’ The Company determined that these limited partnership interests represented variable interests in the funds. The Company’s maximum exposure to loss with respect to these investments is limited to the investment carrying amounts reported in the Company’s consolidated balance sheet and any unfunded commitment.

The following table summarizes investments in limited partnership interests where the Company has a variable interest by balance sheet item:

	December 31,	
	2025	2024
Investments accounted for using the equity method (1)	\$ 6,453	\$ 5,980
Investments accounted for using the fair value option (2)	—	48
Total	\$ 6,453	\$ 6,028

(1) Aggregate unfunded commitments were \$3.6 billion at December 31, 2025, compared to \$4.3 billion at December 31, 2024.

(2) Aggregate unfunded commitments were \$65 million at December 31, 2025, compared to \$21 million at December 31, 2024.

Investments Accounted For Using the Equity Method

The following table summarizes the Company’s investments accounted for using the equity method, by strategy:

	December 31,	
	2025	2024
Private equity	2,397	1,915
Credit related funds	1,616	1,487
Real estate	767	869
Lending	558	616
Fixed income	501	384
Infrastructure	346	425
Equities	231	217
Energy	37	67
Total	\$ 6,453	\$ 5,980

In applying the equity method, 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). Such investments are generally recorded on a one to three month lag based on the availability of reports from the investment funds.

Equity in Net Income (Loss) of Investments Accounted For Using the Equity Method

The Company recorded equity in net income related to investments accounted for using the equity method of \$504 million for 2025, compared to \$580 million for 2024. In applying the equity method, 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 market value of the underlying securities in the funds).

Certain of the Company’s other investments and investments accounted for using the equity method are in investment funds for which the Company has the option to redeem at agreed upon values as described in each investment fund’s subscription agreement. Depending on the terms of the various subscription agreements, investments in investment funds may be redeemed daily, monthly, quarterly or on other terms. Two common redemption restrictions which may impact the Company’s ability to redeem these investment funds are gates and lockups. A gate is a suspension of redemptions which may be implemented by the general partner or investment manager of the fund in order to defer, in whole or in part, the redemption request in the event the aggregate amount of redemption requests exceeds a predetermined percentage of the investment fund’s net assets which may otherwise hinder the general partner or investment manager’s ability to liquidate holdings in an orderly fashion in order to generate the cash necessary to fund extraordinarily large redemption payouts. A lockup period is the initial amount of time an investor is contractually required to hold the security before having the ability to redeem. If the investment funds are eligible to be redeemed, the time to redeem such fund can take weeks or months following the notification.

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Investments in Operating Affiliates

Investments in which the Company has significant influence over the operating and financial policies are classified as ‘investments in operating affiliates’ on the Company’s balance sheets and are accounted for under the equity method. Such investments primarily include the Company’s investment in Coface, Greysbridge and Premia. Investments in Coface and Premia are generally recorded on a three month lag, while the Company’s investment in Greysbridge is not recorded on a lag.

In 2021, the Company completed the share purchase agreement with Natixis to purchase 29.5% of the common equity of Coface, a France-based leader in the global trade credit insurance market. The consideration paid was €9.95 per share, or an aggregate €453 million (approximately \$546 million) including related fees. As of December 31, 2025, the Company owned approximately 29.9% of the issued shares of Coface, or 30% excluding treasury shares, with a carrying value of \$707 million, compared to \$592 million at December 31, 2024.

In 2021, the Company’s investment in Somers Group Holdings Ltd. and its wholly owned subsidiaries (collectively, “Somers”) was acquired by Greysbridge for a cash purchase price of \$35.00 per common share. As of December 31, 2025, the Company owns 30% of Greysbridge, compared to 40% at December 31, 2024, with the remaining interests held by third party investors. At December 31, 2025 the Company’s carrying value in Greysbridge was \$486 million, compared to \$523 million at December 31, 2024. See note 14.

The Company recorded income from operating affiliates of \$181 million for 2025, compared to \$201 million for 2024.

Allowance for Expected Credit Losses

The following table provides a roll forward of the allowance for expected credit losses of the Company’s securities classified as available for sale:

	Year Ended December 31, 2025			
	Structured Securities (1)	Non-U.S. Government Securities	Corporate Bonds	Total
Balance at beginning of period	\$ 9	\$ 1	\$ 12	\$ 22
Additions for current-period provision for expected credit losses	3	—	2	5
Additions (reductions) for previously recognized expected credit losses	(3)	—	3	—
Reductions due to disposals	—	—	(7)	(7)
Balance at end of period	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$ 10</u>	<u>\$ 20</u>

	Year Ended December 31, 2024			
	Structured Securities (1)	Non-U.S. Government Securities	Corporate Bonds	Total
Balance at beginning of period	\$ 7	\$ 1	\$ 20	\$ 28
Additions for current-period provision for expected credit losses	—	—	—	—
Additions (reductions) for previously recognized expected credit losses	3	—	(3)	—
Reductions due to disposals	(1)	—	(5)	(6)
Balance at end of period	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$ 12</u>	<u>\$ 22</u>

(1) Includes asset backed securities, mortgage backed securities and commercial mortgage backed securities.

Restricted Assets

The Company is required to maintain assets on deposit, which primarily consist of fixed maturities, with various regulatory authorities to support its underwriting operations. The Company’s subsidiaries maintain assets in trust accounts as collateral for transactions with affiliated companies and also have investments in segregated portfolios primarily to provide collateral or guarantees for letters of credit to third parties.

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The following table details the value of the Company's restricted assets:

	December 31,	
	2025	2024
Assets used for collateral or guarantees:		
Affiliated transactions	\$ 5,323	\$ 4,730
Third party agreements	6,784	5,999
Deposits with U.S. regulatory authorities	948	882
Other (1)	1,898	1,437
Total restricted assets	<u>\$ 14,953</u>	<u>\$ 13,048</u>

(1) Primarily includes Funds at Lloyds, deposits with non-U.S. regulatory authorities and other restricted assets.

Reconciliation of Cash and Restricted Cash

The following table details reconciliation of cash and restricted cash within the Consolidated Balance Sheets:

	December 31,	
	2025	2024
Cash	\$ 961	\$ 936
Restricted cash (included in 'other assets')	1,073	780
Cash and restricted cash	<u>\$ 2,034</u>	<u>\$ 1,716</u>

10. Fair Value

Accounting guidance regarding fair value measurements addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement (Level 1 being the highest priority and Level 3 being the lowest priority).

The levels in the hierarchy are defined as follows:

- Level 1: Inputs to the valuation methodology are observable inputs that reflect quoted prices (unadjusted) for *identical* assets or liabilities in *active markets*
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value

Following is a description of the valuation methodologies used for securities measured at fair value, as well as the general classification of such securities pursuant to the valuation hierarchy. The Company reviews its securities measured at fair value and discusses the proper classification of such investments with investment advisers and others.

The Company determines the existence of an active market based on its judgment as to whether transactions for the financial instrument occur in such market with sufficient frequency and volume to provide reliable pricing information. The independent pricing sources obtain market quotations and actual transaction prices for securities that have quoted prices in active markets. The Company uses quoted values and other data provided by nationally recognized independent pricing sources as inputs into its process for determining fair values of its fixed maturity investments. To validate the techniques or models used by pricing sources, the Company's review process includes, but is not limited to: (i) quantitative analysis (e.g., comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated); (ii) a review of the prices obtained in the pricing process and the range of resulting fair values; (iii) initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; (iv) a comparison of the fair value estimates to the Company's knowledge of the current market; (v) a comparison of the pricing services' fair values to other pricing services' fair values for the same investments; and (vi) periodic back-testing, which includes randomly selecting purchased or sold securities and comparing the executed prices to the fair value estimates from the pricing service. A price source hierarchy was maintained in order to determine which price source would be used (*i.e.*, a price obtained from a pricing service with more seniority in the hierarchy will be used over a less senior one in all cases). The hierarchy prioritizes pricing services based on availability and reliability and assigns the highest priority to index providers. Based on the above review, the Company will challenge any prices for a security or portfolio which are considered not to be representative of fair value.

In certain circumstances, when fair values are unavailable from these independent pricing sources, quotes are obtained directly from broker-dealers who are active in the corresponding markets. Such quotes are subject to the validation procedures noted above. Of the \$40.3 billion of financial assets and liabilities measured at fair value at December 31, 2025, approximately \$278 million, or 0.7%, were priced using non-binding broker-dealer quotes. Of the \$34.9 billion of financial assets and liabilities measured at fair value at December 31, 2024, approximately \$185 million, or 0.5%, were priced using non-binding broker-dealer quotes.

Fixed maturities

The Company uses the market approach valuation technique to estimate the fair value of its fixed maturity securities, when possible. The market approach includes obtaining prices from independent pricing services, such as index providers and pricing vendors, as well as to a lesser extent quotes from broker-dealers. The independent pricing sources obtain market quotations and actual transaction prices for securities that have quoted prices in active markets. Each source has its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing source uses observable market inputs including, but not limited to, investment yields, credit risks and spreads, benchmarking of like securities, broker-dealer quotes, reported trades and

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sector groupings to determine a reasonable fair value. The following describes the significant inputs generally used to determine the fair value of the Company's fixed maturity securities by asset class:

- U.S. government and government agencies — valuations provided by independent pricing services, with all prices provided through index providers and pricing vendors. The Company determined that all U.S. Treasuries would be classified as Level 1 securities due to observed levels of trading activity, the high number of strongly correlated pricing quotes received on U.S. Treasuries and other factors. The fair values of U.S. government agency securities are generally determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. government agency securities are classified within Level 2.
- Corporate bonds — valuations provided by independent pricing services, substantially all through index providers and pricing vendors with a small amount through broker-dealers. The fair values of these securities are generally determined using the spread above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and from broker-dealers who trade in the relevant security market. As the significant inputs used in the pricing process for corporate bonds are observable market inputs, the fair value of these securities are classified within Level 2. A small number of securities are included in Level 3 due to the lack of an available independent price source for such securities. As the significant inputs used to price these securities are unobservable, the fair value of such securities are classified as Level 3.
- Residential mortgage-backed securities — valuations provided by independent pricing services, substantially all through pricing vendors and index providers with a small amount through broker-dealers. The fair values of these securities are generally determined through the use of pricing models (including Option Adjusted Spread) which use spreads to determine the expected average life of the securities. These spreads are generally obtained from the new issue market, secondary trading and from broker-dealers who trade in the relevant security market. The pricing services also review prepayment speeds and other indicators, when applicable. As the significant inputs used in the pricing process for mortgage-backed securities are observable market inputs, the fair value of these securities are classified within Level 2.
- Municipal bonds — valuations provided by independent pricing services, with all prices provided through index providers and pricing vendors. The fair values of these securities are generally determined using spreads obtained from broker-dealers who trade in the relevant security market, trade prices and the new issue market. As the significant inputs used in the pricing process for municipal bonds are observable market inputs, the fair value of these securities are classified within Level 2.
- Commercial mortgage-backed securities — valuations provided by independent pricing services, substantially all through index providers and pricing vendors with a small amount through broker-dealers. The fair values of these securities are generally determined through the use of pricing models which use spreads to determine the appropriate average life of the securities. These spreads are generally obtained from the new issue market, secondary trading and from broker-dealers who trade in the relevant security market. As the significant inputs used in the pricing process for commercial mortgage-backed securities are observable market inputs, the fair value of these securities are classified within Level 2.
- Non-U.S. government securities — valuations provided by independent pricing services, with all prices provided through index providers and pricing vendors. The fair values of these securities are generally based on international indices or valuation models which include daily observed yield curves, cross-currency basis index spreads and country credit spreads. As the significant inputs used in the pricing process for non-U.S. government securities are observable market inputs, the fair value of these securities are classified within Level 2.
- Asset-backed securities — valuations provided by independent pricing services, substantially all through index providers and pricing vendors with a small amount through broker-dealers. The fair values of these securities are generally determined through the use of pricing models (including Option Adjusted Spread) which use spreads to determine the appropriate average life of the securities. These spreads are generally obtained from the new issue market, secondary trading and from broker-dealers who trade in the relevant security market. As the significant inputs used in the pricing process for asset-backed securities are observable market inputs, the fair value of these securities are classified within Level 2. A small number of securities are included in Level 3 due to a low level of transparency on the inputs used in the pricing process.

Equity securities

The Company determined that exchange-traded equity securities would be included in Level 1 as their fair values are based on quoted market prices in active markets. Other equity securities are included in Level 2 of the valuation hierarchy. A small number of securities are included in Level 3 due to the lack of an available independent price source for such securities. As the significant inputs used to price these securities are unobservable, the fair value of such securities are classified as Level 3.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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Other investments

The Company determined that exchange-traded investments would be included in Level 1 as their fair values are based on quoted market prices in active markets. Other investments also include term loan investments for which fair values are estimated by using quoted prices of term loan investments with similar characteristics, pricing models or matrix pricing. Such investments are generally classified within Level 2. A small number of securities are included in Level 3 due to the lack of an available independent price source for such securities.

Derivative instruments

The Company's futures contracts, foreign currency forward contracts, interest rate swaps and other derivatives trade in the over-the-counter derivative market. The Company uses the market approach valuation technique to estimate the fair value for these derivatives based on significant observable market inputs from third party pricing vendors, non-binding broker-dealer quotes and/or recent trading activity. As the significant inputs used in the pricing process for these derivative instruments are observable market inputs, the fair value of these securities are classified within Level 2.

Short-term investments

The Company determined that certain of its short-term investments held in highly liquid money market-type funds, U.S. Treasury bills and commercial paper would be included in Level 1 as their fair values are based on quoted market prices in active markets. The fair values of certain short-term investments are generally determined using the spread above the risk-free yield curve and are classified within Level 2. Other short-term investments are included in Level 3 due to the lack of an available independent price source for such securities. As the significant inputs used to price these short-term securities are unobservable, the fair value of such securities are classified as Level 3.

Residential mortgage loans

The Company's residential mortgage loans (included in 'other assets' in the consolidated balance sheets) include amounts related to the Company's whole mortgage loan purchase and sell program. Fair values of residential mortgage loans are generally determined based on market prices. As significant inputs used in pricing process for these residential mortgage loans are observable market inputs, the fair value of these securities are classified within Level 2.

Other liabilities

The Company's other liabilities include contingent and deferred consideration liabilities related to the Company's acquisitions. Contingent consideration liabilities are remeasured at fair value at each balance sheet date with changes in fair value recognized in 'net realized gains (losses).' To determine the fair value of contingent consideration liabilities, the Company estimates the future payments using an income approach based on modeled inputs which include a weighted average cost of capital. Deferred consideration liabilities are measured at fair value on the transaction date. The Company determined that contingent and deferred consideration liabilities would be included within Level 3.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Company's financial assets and liabilities measured at fair value by level at December 31, 2025:

	Fair Value Measurement Using:			
	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets measured at fair value:</u>				
Available for sale securities:				
Fixed maturities:				
Corporate bonds	\$ 14,058	\$ —	\$ 13,930	\$ 128
U.S. government and government agencies	7,445	7,445	—	—
Asset backed securities	3,574	—	3,557	17
Non-U.S. government securities	3,270	—	3,270	—
Residential mortgage backed securities	2,705	—	2,705	—
Commercial mortgage backed securities	1,212	—	1,212	—
Municipal bonds	162	—	162	—
Total	32,426	7,445	24,836	145
Short-term investments	2,574	2,275	299	—
Equity securities, at fair value	1,864	1,829	26	9
Derivative instruments (1)	180	—	180	—
Residential mortgage loans	24	—	24	—
Fair value option:				
Corporate bonds	1,102	—	1,102	—
Non-U.S. government bonds	3	—	3	—
Asset backed securities	—	—	—	—
U.S. government and government agencies	5	5	—	—
Short-term investments	64	2	22	40
Equity securities	5	—	—	5
Other investments	398	—	166	232
Other investments measured at net asset value (2)	1,559	—	—	—
Total	3,136	7	1,293	277
Total assets measured at fair value	\$ 40,204	\$ 11,556	\$ 26,658	\$ 431
<u>Liabilities measured at fair value:</u>				
Other liabilities	\$ (18)	\$ —	\$ —	\$ (18)
Derivative instruments (1)	(72)	—	(72)	—
Total liabilities measured at fair value	\$ (90)	\$ —	\$ (72)	\$ (18)

(1) See note 11 for information on the Company's derivative instruments.

(2) In accordance with applicable accounting guidance, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Company's financial assets and liabilities measured at fair value by level at December 31, 2024:

	Fair Value Measurement Using:			
	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets measured at fair value:</u>				
<u>Available for sale securities:</u>				
Fixed maturities:				
Corporate bonds	\$ 12,487	\$ —	\$ 12,390	\$ 97
U.S. government and government agencies	6,710	6,709	1	—
Asset backed securities	2,900	—	2,900	—
Non-U.S. government securities	2,538	—	2,538	—
Residential mortgage backed securities	1,079	—	1,079	—
Commercial mortgage backed securities	1,058	—	1,058	—
Municipal bonds	263	—	263	—
Total	27,035	6,709	20,229	97
Short-term investments	2,720	2,640	80	—
Equity securities, at fair value	1,675	1,640	28	7
Derivative instruments (1)	206	—	206	—
Residential mortgage loans	15	—	15	—
<u>Fair value option:</u>				
Corporate bonds	832	—	832	—
Non-U.S. government bonds	8	—	8	—
Asset backed securities	—	—	—	—
U.S. government and government agencies	14	14	—	—
Short-term investments	70	—	37	33
Equity securities	7	3	—	4
Other investments	752	—	563	189
Other investments measured at net asset value (2)	1,383	—	—	—
Total	3,066	17	1,440	226
Total assets measured at fair value	\$ 34,717	\$ 11,006	\$ 21,998	\$ 330
<u>Liabilities measured at fair value:</u>				
Other liabilities	\$ (73)	\$ —	\$ —	\$ (73)
Derivative instruments (1)	(115)	—	(115)	—
Total liabilities measured at fair value	\$ (188)	\$ —	\$ (115)	\$ (73)

(1) See note 11 for information on the Company's derivative instruments.

(2) In accordance with applicable accounting guidance, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents a reconciliation of the beginning and ending balances for all financial assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for 2025 and 2024:

	Assets							Liabilities
	Available For Sale			Fair Value Option			Fair Value	
	Structured Securities (1)	Corporate Bonds	Short-term Investments	Other Investments	Short-term Investments	Equity Securities	Equity Securities	Other Liabilities
Year Ended December 31, 2025								
Balance at beginning of year	\$ —	\$ 97	\$ —	\$ 189	\$ 33	\$ 4	\$ 7	\$ (73)
Total gains or (losses) (realized/unrealized)								
Included in earnings (2)	—	1	—	—	—	1	—	2
Included in other comprehensive income	—	1	—	—	—	—	—	(2)
Purchases, issuances, sales and settlements								
Purchases	14	1	—	190	67	—	2	—
Issuances	—	—	—	—	—	—	—	—
Sales	—	—	—	(5)	—	—	—	—
Settlements	(2)	(60)	—	(146)	(60)	—	—	55
Transfers in and/or out of Level 3	5	88	—	4	—	—	—	—
Balance at end of year	\$ 17	\$ 128	\$ —	\$ 232	\$ 40	\$ 5	\$ 9	\$ (18)
Year Ended December 31, 2024								
Balance at beginning of year	\$ —	\$ 147	\$ 84	\$ 106	\$ 10	\$ 4	\$ 5	\$ (22)
Total gains or (losses) (realized/unrealized)								
Included in earnings (2)	—	1	—	(5)	—	—	—	10
Included in other comprehensive income	—	2	1	—	—	—	—	1
Purchases, issuances, sales and settlements								
Purchases	—	100	12	148	41	—	2	—
Issuances	—	—	—	—	—	—	—	(64)
Sales	—	—	—	(5)	—	—	—	—
Settlements	—	(153)	(97)	(70)	(18)	—	—	2
Transfers in and/or out of Level 3	—	—	—	15	—	—	—	—
Balance at end of year	\$ —	\$ 97	\$ —	\$ 189	\$ 33	\$ 4	\$ 7	\$ (73)

(1) Includes asset backed securities, mortgage backed securities and commercial mortgage backed securities.

(2) Gains or losses were included in net realized gains (losses).

Financial Instruments Disclosed, But Not Carried, At Fair Value

The Company uses various financial instruments in the normal course of its business. The carrying values of cash, accrued investment income, receivable for securities sold, certain other assets, payable for securities purchased and certain other liabilities approximated their fair values at December 31, 2025, due to their respective short maturities. As these financial instruments are not actively traded, their respective fair values are classified within Level 2.

At December 31, 2025, the Company's senior notes were carried at their cost, net of debt issuance costs, of \$1.4 billion and had a fair value of \$1.4 billion. At December 31, 2024, the Company's senior notes were carried at their cost, net of debt issuance costs, of \$1.4 billion and had a fair value of \$1.4 billion. The fair values of the senior notes were obtained from a third party pricing service and are based on observable market inputs. As such, the fair value of the senior notes is classified within Level 2.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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Fair Value Measurements on a Non-Recurring Basis

The Company measures the fair value of certain assets on a non-recurring basis, generally quarterly, annually, or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include investments accounted for using the equity method, certain other investments, goodwill and intangible assets, and long-lived assets.

The Company uses a variety of techniques to measure the fair value of these assets when appropriate, as described below:

Investments accounted for using the equity method. When the Company determines that the carrying value of these assets may not be recoverable, the Company records the assets at fair value with the loss recognized in income. In such cases, the Company measures the fair value of these assets using the techniques discussed above in “Fair Value Measurements on a Recurring Basis.”

Goodwill and Intangible Assets. The Company tests goodwill and intangible assets annually for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When the Company determines goodwill and intangible assets may be impaired, the Company uses techniques including discounted expected future cash flows, to measure fair value.

Long-Lived Assets. The Company tests its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of a long-lived asset may not be recoverable.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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11. Derivative Instruments

The Company's investment strategy allows for the use of derivative instruments. The Company's derivative instruments are recorded on its consolidated balance sheets at fair value. The Company utilizes exchange traded U.S. Treasury note, Eurodollar and other futures contracts and commodity futures to manage portfolio duration or replicate investment positions in its portfolios and the Company routinely utilizes foreign currency forward contracts, currency options, index futures contracts and other derivatives as part of its total return objective. In addition, certain of the Company's investments are managed in portfolios which incorporate the use of foreign currency forward contracts which are intended to provide an economic hedge against foreign currency movements.

The following table summarizes information on the fair values and notional values of the Company's derivative instruments:

	Estimated Fair Value		Notional Value (2)
	Asset Derivatives (1)	Liability Derivatives (1)	
December 31, 2025			
Futures contracts	\$ 81	\$ (19)	\$ 8,022
Foreign currency forward contracts	75	(38)	2,458
Other (3)	24	(15)	161
Total	<u>\$ 180</u>	<u>\$ (72)</u>	
December 31, 2024			
Futures contracts	\$ 78	\$ (46)	\$ 4,781
Foreign currency forward contracts	90	(48)	1,698
Other (3)	38	(21)	236
Total	<u>\$ 206</u>	<u>\$ (115)</u>	

(1) The fair value of asset derivatives are included in 'other assets' and the fair value of liability derivatives are included in 'other liabilities.'

(2) Represents the absolute notional value of all outstanding contracts, consisting of long and short positions.

(3) Includes swaps, options and other derivatives contracts.

The Company did not hold any derivatives which were designated as hedging instruments at December 31, 2025 or 2024.

The Company's derivative instruments can be traded under master netting agreements, which establish terms that apply to all derivative transactions with a counterparty. In the event of a bankruptcy or other stipulated event of default, such agreements provide that the non-defaulting party may elect to terminate all outstanding derivative transactions, in which case all individual derivative positions (loss or gain) with a counterparty are closed out and netted and replaced with a single amount, usually referred to as the termination amount, which is expressed in a single currency. The resulting single net amount, where positive, is payable to the party "in-the-money" regardless of whether or not it is the defaulting party, unless the parties have agreed that only the non-defaulting party is entitled to receive a termination payment where the net amount is positive and is in its favor.

At December 31, 2025, \$180 million and \$72 million, respectively, of asset derivatives and liability derivatives were subject to a master netting agreement compared to \$206 million and \$115 million, respectively, at December 31, 2024. The remaining derivatives included in the table above were not subject to a master netting agreement.

Realized and unrealized contract gains and losses on the Company's derivative instruments are reflected in 'net realized gains (losses)' in the consolidated statements of income, as summarized in the following table:

Derivatives not designated as hedging instruments	Year Ended December 31,	
	2025	2024
Net realized gains (losses):		
Futures contracts	\$ 211	\$ 4
Foreign currency forward contracts	65	(6)
Other (1)	51	10
Total	<u>\$ 327</u>	<u>\$ 8</u>

(1) Includes realized gains or losses on swaps, options and other derivatives contracts.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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12. Other Comprehensive Income (Loss)

The following table presents the changes in each component of AOCI, net of noncontrolling interests:

	Unrealized Appreciation on Available-For- Sale Investments	Foreign Currency Translation Adjustments	Total
Year Ended December 31, 2025			
Beginning balance	\$ (505)	\$ (214)	\$ (719)
Other comprehensive income (loss) before reclassifications	659	84	743
Amounts reclassified from accumulated other comprehensive income	(18)	—	(18)
Net current period other comprehensive income (loss)	641	84	725
Ending balance	<u>\$ 136</u>	<u>\$ (130)</u>	<u>\$ 6</u>
Year Ended December 31, 2024			
Beginning balance	\$ (563)	\$ (112)	\$ (675)
Other comprehensive income (loss) before reclassifications	(23)	(102)	(125)
Amounts reclassified from accumulated other comprehensive income	81	—	81
Net current period other comprehensive income (loss)	58	(102)	(44)
Ending balance	<u>\$ (505)</u>	<u>\$ (214)</u>	<u>\$ (719)</u>

The following table presents details about amounts reclassified from accumulated other comprehensive income:

Details About AOCI Components	Consolidated Statement of Income Line Item That Includes Reclassification	Amounts Reclassified from AOCI	
		Year Ended December 31,	
		2025	2024
Unrealized appreciation on available-for-sale investments			
	Net realized gains (losses)	\$ (25)	\$ (95)
	Provision for credit losses	6	—
	Total before tax	(19)	(95)
	Income tax (expense) benefit	1	14
	Net of tax	<u>\$ (18)</u>	<u>\$ (81)</u>

Following are the related tax effects allocated to each component of other comprehensive income (loss):

	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
Year Ended December 31, 2025			
Unrealized appreciation (decline) in value of investments:			
Unrealized holding gains (losses) arising during period	\$ 706	\$ 47	\$ 659
Less reclassification of net realized gains (losses) included in net income	19	1	18
Foreign currency translation adjustments	86	2	84
Other comprehensive income (loss)	<u>\$ 773</u>	<u>\$ 48</u>	<u>\$ 725</u>
Year Ended December 31, 2024			
Unrealized appreciation (decline) in value of investments:			
Unrealized holding gains (losses) arising during period	\$ (23)	\$ —	\$ (23)
Less reclassification of net realized gains (losses) included in net income	(95)	(14)	(81)
Foreign currency translation adjustments	(105)	(3)	(102)
Other comprehensive income (loss)	<u>\$ (33)</u>	<u>\$ 11</u>	<u>\$ (44)</u>

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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13. Income Taxes

Arch Re Bermuda is incorporated under the laws of Bermuda and, under Bermuda law in effect prior to 2025, was not obligated to pay taxes on income or capital gains in Bermuda. Upon its formation in 2000, the Company has received a written undertaking from the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to Arch Capital or any of its operations until March 31, 2035. However, on December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act (“Bermuda CIT Act”), imposing a 15% tax to certain Bermuda constituent entities of multi-national groups for tax years beginning on or after January 1, 2025. The Bermuda CIT Act was drafted to supersede the Company’s previously granted tax assurance, resulting in the Company becoming subject to Bermuda corporate income tax in 2025.

The Bermuda CIT Act and amendments, together with the widespread adoption of the Organization for Economic Cooperation and Development (“OECD”) Pillar II minimum tax proposal, has resulted in an increase to the minimum statutory tax rate to approximately 15% in most jurisdictions in which Arch operates.

Arch Re Bermuda has subsidiaries and branches that operate in various jurisdictions around the world. The significant jurisdictions in which Arch Re Bermuda’s subsidiaries and branches are subject to tax are the United States, United Kingdom, Ireland, Switzerland, Australia, Canada and Gibraltar.

The components of income taxes attributable to operations were as follows:

	Year Ended December 31,	
	2025	2024
Current expense (benefit):		
Federal - Bermuda	\$ 250	\$ —
Foreign - United States	270	332
Foreign - Other	103	64
	<u>623</u>	<u>396</u>
Deferred expense (benefit):		
Federal - Bermuda	120	—
Foreign - United States	60	(21)
Foreign - Other	12	(14)
	<u>192</u>	<u>(35)</u>
Income tax expense (benefit)	<u>\$ 815</u>	<u>\$ 361</u>

The Company’s income or loss before income taxes was earned in the following jurisdictions:

	Year Ended December 31,	
	2025	2024
Income (Loss) Before Income Taxes:		
Domestic - Bermuda	\$ 3,235	\$ 2,785
Foreign - United States	1,660	1,438
Foreign - Other	374	623
Total	<u>\$ 5,269</u>	<u>\$ 4,846</u>

The expected tax provision computed on pre-tax income or loss at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction’s applicable statutory tax rate. The 2025 applicable statutory tax rates by jurisdiction were as follows: Australia (30.0%), Canada (25.7%), United Kingdom (25.0%), United States (21.0%), Switzerland (19.6%), Bermuda (15.0%), Gibraltar (15.0%), and Ireland (12.5%).

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The following table presents a reconciliation of the difference between the provision for income taxes and the expected tax provision at the Bermuda statutory income tax rate:

	Year Ended December 31,	
	2025	Rate Impact
Bermuda Federal Statutory Tax Rate	\$ 790	15.0 %
Foreign tax effects		
United States		
Tax rate differential	99	1.9 %
Other	(17)	(0.3)%
Bermuda		
Foreign tax credits	(56)	(1.1)%
Other	20	0.4 %
United Kingdom		
Effect of cross-border tax laws	45	0.8 %
Other	9	0.2 %
Other foreign taxes	6	0.1 %
Effect of changes in tax laws or rates enacted in the current period	(61)	(1.2)%
Nontaxable or nondeductible items / other		
Investment income	(54)	(1.0)%
Other	(2)	— %
Other	36	0.7 %
Total	<u>\$ 815</u>	<u>15.5 %</u>

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate follows:

	Year Ended December 31, 2024
Expected income tax expense (benefit) computed on pre-tax income at weighted average income tax rate	\$ 423
Addition (reduction) in income tax expense (benefit) resulting from:	
Sale of subsidiaries/Bargain purchase option	(45)
Investment income	(39)
Change in tax rate	12
Share based compensation	(11)
Tax credits	(5)
Base eroding tax/Alternative minimum tax	5
State taxes, net of U.S. federal tax benefit	4
Dividend withholding taxes	3
Change in valuation allowance	3
Uncertain tax position	3
Other	8
Income tax expense (benefit)	<u>\$ 361</u>

The effect of a change in tax laws or rates on deferred income tax assets and liabilities is recognized in income in the period in which such change is enacted.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred income tax assets and liabilities reflect temporary differences based on enacted tax rates between the carrying amounts of assets and liabilities for financial reporting and income tax purposes.

Significant components of the Company's deferred income tax assets and liabilities were as follows:

	December 31,	
	2025	2024
Deferred income tax assets:		
Net operating loss	\$ 72	\$ 77
Discounting of net loss reserves	116	203
Net unearned premium reserve	243	190
Compensation liabilities	82	75
Foreign tax credit carryforward	54	22
Goodwill and intangible assets	835	1,034
Bad debt reserves	18	15
Depreciation and amortization	137	151
Lease liability	31	32
Net unrealized decline of investments	41	77
Advance claim payments	59	—
Other, net	14	—
Deferred income tax assets before valuation allowance	1,702	1,876
Valuation allowance	(46)	(18)
Deferred income tax assets net of valuation allowance	1,656	1,858
Deferred income tax liabilities:		
Lloyds year of account deferral	(18)	(19)
Contingency reserve	(104)	(27)
Deferred policy acquisition costs	(77)	(143)
Investment related	(78)	(43)
Right of use asset	(23)	(25)
Other, net	—	(6)
Total deferred tax liabilities	(300)	(263)
Net deferred income tax assets (liabilities)	\$ 1,356	\$ 1,595

The Company provides a valuation allowance to reduce the net value of certain deferred income tax assets to an amount which management expects to more likely than not be realized. As of December 31, 2025, the Company's valuation allowance was \$46 million, compared to \$18 million at December 31, 2024. The valuation allowance at December 31, 2025, was primarily attributable to Foreign Tax Credits generated by the Company's branch in Switzerland, and Net operating Losses related to the Company's operations in Australia, Gibraltar and Hong Kong.

ARCH REINSURANCE LTD. AND SUBSIDIARIES
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At December 31, 2025, the Company's net operating loss carryforwards and tax credits were as follows:

	December 31,	
	2025	Expiration
Operating Loss Carryforwards:		
United Kingdom	118	No expiration
United States (1)	70	2029-2038
Australia	44	No expiration
Hong Kong	39	No expiration
Gibraltar	31	No expiration
Ireland	30	No expiration
Cyprus	1	No expiration
Netherlands	1	No expiration

Tax Credits:

Ireland foreign tax credits	27	No expiration
U.K. foreign tax credits	20	No expiration
U.S. foreign tax credits	9	2031-2035

- (1) The Company's U.S. operations have recorded \$70 million of net operating loss ("NOL") carryforwards that are subject to annual usage limitations under Section 382 of the Internal Revenue Code ("the Code").

The Company's U.S. mortgage operations are eligible for a tax deduction, subject to certain limitations, under Section 832(e) of the Code for amounts required by state law or regulation to be set aside in statutory contingency reserves. The deduction is allowed only to the extent that the Company purchases non-interest bearing U.S. Mortgage Guaranty Tax and Loss Bonds ("T&L Bonds") issued by the U.S. Treasury Department in an amount equal to the tax benefit derived from deducting any portion of the statutory contingency reserves. T&L bonds are reflected in 'other assets' on the Company's balance sheet and totaled approximately \$107 million at December 31, 2025, compared to \$47 million at December 31, 2024.

Deferred income tax liabilities have not been accrued with respect to the undistributed earnings of the Company's U.S., U.K., Ireland, and Canadian subsidiaries because Management has concluded that all such earnings will either be indefinitely reinvested or can be distributed in a tax-free manner. Earnings that can be distributed free of tax will not or attract dividend withholding taxes in the paying jurisdiction, nor will the dividend receipts be taxable in the recipient jurisdiction. Potential tax implications of repatriation from the Company's unremitted earnings that are indefinitely reinvested are driven by facts at the time of distribution. Therefore it is not practicable to estimate the income tax liabilities that might be incurred if such earnings were remitted.

The Company recognizes interest and penalties relating to unrecognized tax benefits in the provision for income taxes. As of December 31, 2025, the Company's total unrecognized tax benefits, including interest and penalties, were \$6 million. If recognized, the full amount of the unrecognized tax benefit would impact the consolidated effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended December 31,	
	2025	2024
Balance at beginning of year	\$ 5	\$ 2
Additions based on tax positions related to the current year	1	1
Additions for tax positions of prior years	—	2
Reductions for tax positions of prior years	—	—
Settlements	—	—
Balance at end of year	\$ 6	\$ 5

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The Company, its subsidiaries and branches file income tax returns in various federal, state, local and foreign jurisdictions. The following table details open tax years that are potentially subject to examination by local tax authorities, in the following major jurisdictions:

Jurisdiction	Tax Years
United States	2019-2025
United Kingdom	2022-2025
Ireland	2021-2025
Switzerland	2021-2025
Australia	2020-2025
Canada	2021-2025
Gibraltar	2020-2025

As of December 31, 2025, the Company's current income tax payable (included in "Other liabilities") was \$113 million. The Company's taxes paid by jurisdiction were as follows:

	December 31, 2025
Federal Bermuda taxes paid	\$ 131
Foreign taxes paid	
United States - federal taxes paid	227
United States - other taxes paid	19
Australia	26
Other	55
Total Foreign taxes paid	327
Total	<u>\$ 458</u>

14. Transactions with Related Parties

In 2017, the Company acquired approximately 25% of Premia. Premia is the parent of Premia Reinsurance Ltd., a multi-line Bermuda reinsurance company. Premia's strategy is to reinsure or acquire companies or reserve portfolios in the non-life property and casualty insurance and reinsurance run-off market. Arch Re Bermuda and certain Arch co-investors invested \$100 million and acquired approximately 25% of Premia as well as warrants to purchase additional common equity. Arch has appointed two directors to serve on the seven person board of directors of Premia. Arch Re Bermuda is providing a quota share reinsurance treaty on certain business written by Premia, and subsidiaries of the Company are providing certain administrative and support services to Premia, in each case pursuant to separate multi-year agreements. During the 2025 and 2024 periods, the Company did not enter into any new reinsurance transactions with Premia. At December 31, 2025, the Company recorded a funds held asset from Premia of \$124 million, compared to \$137 million at December 31, 2024.

Somers is wholly owned by Greysbridge, and Greysbridge is owned 30% by the Company with the remaining interests held by third party investors. The Company entered into certain reinsurance transactions with Somers. During 2025 and 2024 periods, the Company's net premiums written was reduced by \$705 million and \$738 million, respectively. In addition, Somers paid certain acquisition costs and administrative fees to the Company. At December 31, 2025, the Company recorded a reinsurance recoverable on unpaid and paid losses from Somers of \$2 billion and a reinsurance balance payable to Somers of \$550 million. At December 31, 2024, reinsurance recoverable on unpaid and paid losses from Somers was \$1.6 billion, with a reinsurance balance payable to Somers of \$489 million.

Pursuant to the terms of the Greysbridge shareholder agreement, as amended, following the expiration of a specified period, Arch Capital has a call right (but not the obligation) and certain third party investors have put rights (but not the obligation) to purchase or sell, as applicable, a specified amount of each such investor's initial common shares on an annual basis at Greysbridge's year-end book value per share. Obligations under put/call option notices are recognized on the Company's balance sheet in both other assets and other liabilities. At December 31, 2025, the Company's balance sheet included \$162 million in both other assets and other liabilities for such put notices. Transactions related to the put shares are expected to close in the 2026 calendar year, subject to any regulatory approval.

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During the 2024 period, the Company completed the acquisition of Watford Insurance Company from Somers for a total consideration paid of \$35 million.

As of December 31, 2025, the Company owned \$35 million in aggregate principal amount of Somers 6.5% senior notes, due July 2, 2029.

During 2025 and 2024, the Company incurred approximately \$56 million and \$46 million for services that are provided by Arch Global Services Inc. Such fees were incurred pursuant to the terms of services agreements between Arch Re Bermuda and certain of its subsidiaries and entered into with Global Services, and are included in "Other operating expenses" in the consolidated statements of income.

During 2025 and 2024, the Company incurred approximately \$57 million and \$49 million, respectively, of investment service fees to Arch Investment Management Ltd. ("AIM"). Such fees are incurred pursuant to the terms of specific investment service agreements between Arch Re Bermuda and certain of its subsidiaries and AIM, and are included in "Net investment income" in the consolidated statements of income net of these fees.

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15. Leases

In the ordinary course of business, the Company renews and enters into new leases for office property and equipment. At the lease inception date, the Company determines whether a contract contains a lease and its classification as a finance or operating lease. Primarily all of the Company's leases are classified as operating leases. The Company's operating leases have remaining lease terms of up to 12 years, some of which include options to extend the lease term. The Company considers these options when determining the lease term and measuring its lease liability and right-of-use asset. In addition, the Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Short-term operating leases with an initial term of twelve months or less were excluded on the Company's consolidated balance sheet and represent an inconsequential amount of operating lease expense.

As most leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments.

Additional information regarding the Company's operating leases is as follows:

	December 31,	
	2025	2024
Operating lease costs	\$ 28	\$ 29
Sublease income (1)	\$ (2)	\$ (2)
Cash payments included in the measurement of lease liabilities reported in operating cash flows	\$ 27	\$ 26
Right-of-use assets obtained in exchange for new lease liabilities	\$ 12	\$ 27
Right-of-use assets (2)	\$ 111	\$ 116
Operating lease liability (2)	\$ 145	\$ 149
Weighted average discount rate	5.0 %	4.9 %
Weighted average remaining lease term	7.4 years	7.5 years

(1) The sublease income primarily relates to office property in Raleigh, North Carolina.

(2) The right-of-use assets are included in 'other assets' while the operating lease liability is included in 'other liabilities.'

The following table presents the contractual maturities of the Company's operating lease liabilities at December 31, 2025:

Years Ending December 31,	
2026	\$ 29
2027	27
2028	24
2029	21
2030	19
2031 and thereafter	55
Total undiscounted lease liability	<u>\$ 175</u>
Less: present value adjustment	<u>(30)</u>
Operating lease liability	<u>\$ 145</u>

Rental expense was approximately \$34 million and \$33 million for 2025 and 2024, respectively.

16. Commitments and Contingencies

Concentrations of Credit Risk

The creditworthiness of a counterparty is evaluated by the Company, taking into account credit ratings assigned by independent agencies. The credit approval process involves an assessment of factors, including, among others, the counterparty, country and industry credit exposure limits. Collateral may be required, at the discretion of the Company, on certain transactions based on the creditworthiness of the counterparty.

The areas where significant concentrations of credit risk may exist include unpaid losses and loss adjustment expenses recoverable, contractholder receivables, ceded unearned premiums, paid losses and loss adjustment expenses recoverable net of reinsurance balances payable, investments and cash and cash equivalent balances. A credit exposure exists with

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respect to reinsurance recoverables as they may become uncollectible. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, the Company may hold collateral in the form of funds, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis. In addition, certain insurance policies written by the Company's insurance operations feature large deductibles, primarily in its construction and national accounts lines of business. Under such contracts, the Company is obligated to pay the claimant for the full amount of the claim. The Company is subsequently reimbursed by the policyholder for the deductible amount. These amounts are included on a gross basis in the consolidated balance sheet in contractholder payables and contractholder receivables, respectively. In the event that the Company is unable to collect from the policyholder, the Company would be liable for such defaulted amounts. Collateral, primarily in the form of letters of credit, cash and trusts, is obtained from the policyholder to mitigate the Company's credit risk. In the instances where the company receives collateral in the form of cash, the Company records a related liability in "Collateral held for insured obligations."

In addition, the Company underwrites a significant amount of its business through brokers and a credit risk exists should any of these brokers be unable to fulfill their contractual obligations with respect to the payments of insurance and reinsurance balances owed to the Company. The following table summarizes the percentage of the Company's gross premiums written generated from or placed by the largest brokers:

Broker	Year Ended December 31,	
	2025	2024
Marsh & McLennan Companies and its subsidiaries	16.6 %	18.6 %
Aon Corporation and its subsidiaries	14.6 %	14.5 %

No other broker and no one insured or reinsured accounted for more than 10% of gross premiums written for 2025 and 2024.

The Company's available for sale investment portfolio is managed in accordance with guidelines that have been tailored to meet specific investment strategies, including standards of diversification, which limit the allowable holdings of any single issue. There were no investments in any entity in excess of 10% of the Company's shareholder's equity at December 31, 2025 other than investments issued or guaranteed by the United States government or its agencies.

Investment Commitments

The Company's investment commitments, which are primarily related to agreements entered into by the Company to invest in funds and separately managed accounts when called upon, were approximately \$3.7 billion and \$4.4 billion at December 31, 2025 and 2024, respectively.

Purchase Obligations

The Company has also entered into certain agreements which commit the Company to purchase goods or services, primarily related to software and computerized systems. Such purchase obligations were approximately \$271 million and \$225 million at December 31, 2025 and 2024, respectively.

Employment and Other Arrangements

At December 31, 2025, the Company has entered into employment agreements with certain of its executive officers. Such employment arrangements provide for compensation in the form of base salary, annual bonus, share-based awards, participation in the Company's employee benefit programs and the reimbursements of expenses.

Loans with Affiliates and Dividends Paid

Arch Capital depends on its available cash resources, liquid investments and dividends or other distributions from subsidiaries to make payments, including the payment of debt service obligations and operating expenses it may incur and any payments of dividends, redemption amounts or liquidation amounts with respect to preferred shares and common shares, and to fund the share repurchase program. During the course of 2024 and 2025, Arch Capital requested cash advances from Arch Re Bermuda. Arch Re Bermuda agreed to provide such cash advances to Arch Capital in the form of interest free loans which were repayable upon demand. Arch Re Bermuda advanced \$2.5 billion in 2024 to Arch Capital on such terms. From January 1, 2025 through August 7, 2025, Arch Re Bermuda provided cash advances of \$723 million to Arch Capital on the same terms. The loan balances due to Arch Re Bermuda were subsequently forgiven and converted into dividend payments which reduced the outstanding loan balance due from Arch Capital at each balance sheet date to nil. From August 11, 2025 to December 31,

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2025, Arch Re Bermuda paid Arch Capital \$1.3 billion in the form of ordinary dividends. In total, Arch Re Bermuda provided \$2.0 billion to Arch Capital in 2025.

17. Debt and Financing Arrangements

The Company's senior notes payable at December 31, 2025 and 2024 were as follows:

	Interest (Fixed)	Principal Amount	Carrying Amount at December 31,	
			2025	2024
2043 notes (1)	5.144%	\$ 500	\$ 496	\$ 496
2026 notes (2)	4.011%	500	499	499
2046 notes (3)	5.031%	450	446	446
		<u>\$ 1,450</u>	<u>\$ 1,441</u>	<u>\$ 1,441</u>

- (1) Senior notes of Arch-U.S., a wholly-owned subsidiary of Arch Re Bermuda, issued on December 13, 2013 and due November 1, 2043 ("2043 notes"), fully and unconditionally guaranteed by Arch Capital.
- (2) Senior notes of Arch Capital Finance LLC ("Arch Finance"), a wholly-owned finance subsidiary of Arch Re Bermuda, issued on December 8, 2016 and due December 15, 2026 ("2026 notes"), fully and unconditionally guaranteed by Arch Capital.
- (3) Senior notes of Arch Finance issued on December 8, 2016 and due December 15, 2046 ("2046 notes"), fully and unconditionally guaranteed by Arch Capital.

During 2025 and 2024, the Company made interest payments of \$69 million and \$69 million, respectively, related to its senior notes and other financing arrangements.

Letter of Credit and Revolving Credit Facilities

In the normal course of its operations, the Company enters into agreements with financial institutions that provide access to secured and unsecured credit facilities.

Group Credit Facility

Arch Capital and certain of its subsidiaries have access to a credit facility with a syndicate of financial institutions (the "Group Credit Facility") that expires on August 23, 2028. The Group Credit Facility consists of a \$425 million secured facility for letters of credit (the "Secured Facility") and a \$500 million unsecured facility for revolving loans and letters of credit (the "Unsecured Facility"). At December 31, 2025, the Secured Facility had \$224 million of letters of credit outstanding and remaining capacity of \$201 million, and the Unsecured Facility had no outstanding revolving loans or letters of credit, with remaining capacity of \$500 million.

The Group Credit Facility contains certain restrictive and maintenance covenants customary for facilities of this type, including restrictions on indebtedness, minimum consolidated tangible net worth, maximum leverage levels and minimum financial strength ratings. Arch Capital and its subsidiaries which are party to the agreement were in compliance with all covenants contained therein at December 31, 2025.

Obligations of each borrower for letters of credit under the Secured Facility are secured by cash and eligible securities of such borrower and held in collateral accounts. Commitments under the Group Credit Facility may be increased up to, but not exceeding, an aggregate of \$1.5 billion. Arch Capital has a one-time option to convert any or all outstanding revolving loans of Arch Capital and/or Arch-U.S. to term loans with the same terms as the revolving loans except that any prepayments may not be re-borrowed. Borrowings of revolving loans may be made at a variable rate based on Secured Overnight Financing Rate ("SOFR"). Secured letters of credit are available for issuance on behalf of certain Arch Capital subsidiaries. Arch Capital guarantees the obligations of Arch-U.S. and Arch U.S. MI Holdings Inc., Arch-U.S. guarantees the obligations of Arch Capital, and Arch Capital Finance LLC guarantees the obligations of Arch Capital and Arch-U.S.

Other Credit Facilities

Arch Re Bermuda has access to a \$175 million unsecured letter of credit facility with Lloyds Bank Corporate Markets plc., which expires on September 27, 2026. At December 31, 2025, this credit facility had \$129 million of letters of credit outstanding and remaining capacity of \$46 million.

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Arch Re Bermuda also has access to a letter of credit facility with a syndicate of a financial institutions, which expires on December 31, 2029. Such credit facility provides for a \$700 million facility for letters of credit in respect of Tier 2 Funds at Lloyds. As of December 31, 2025, \$700 million face amount of letters of credit had been issued under this facility.

In addition, Arch Re Bermuda had outstanding secured letters of credit through other facilities in the amount of \$52 million, which were issued in the normal course of business (“LOC Facilities”). The principal purpose of the LOC Facilities is to issue, as required, evergreen standby letters of credit in favor of primary insurance or reinsurance counterparties with which certain of the Company’s subsidiaries has entered into reinsurance arrangements.

When issued, all secured letters of credit are backed by a portion of the investment portfolio and cash. At December 31, 2025, these letters of credit were secured by investments and cash with a fair value of \$498 million. The Company had no outstanding revolving credit agreement borrowings At December 31, 2025 and 2024.

Federal Home Loan Bank Membership

Certain subsidiaries of the Company are members of Federal Home Loan Banks (“FHLBs”). Members may borrow from the FHLBs at competitive rates subject to certain conditions. Conditions include maintaining sufficient collateral deposits for funding and a requirement to hold stock in the FHLBs related to both membership and outstanding advances. At December 31, 2025 and 2024, the Company had no advances outstanding under the FHLB program.

18. Goodwill and Intangible Assets

The following table shows an analysis of goodwill and intangible assets:

	Goodwill	Intangible assets with an indefinite life	Intangible assets with finite life	Total
Net balance at December 31, 2023	\$ 345	\$ 70	\$ 316	\$ 731
Acquisitions (1)	246	9	637	892
Amortization	—	—	(235)	(235)
Foreign currency movements and other adjustment (2)	(20)	—	(17)	(37)
Net balance at December 31, 2024	571	79	701	1,351
Acquisitions (1)	30	—	2	32
Amortization	—	—	(193)	(193)
Foreign currency movements and other adjustment	6	2	24	32
Net balance at December 31, 2025	\$ 607	\$ 81	\$ 534	\$ 1,222
Gross balance at December 31, 2025	\$ 606	\$ 80	\$ 1,723	\$ 2,409
Accumulated amortization	—	—	(1,168)	(1,168)
Foreign currency movements and other adjustment	1	1	(21)	(19)
Net balance at December 31, 2025	\$ 607	\$ 81	\$ 534	\$ 1,222

(1) See note 2.

(2) Amount primarily related to the sale of Castel Underwriting Agencies Limited.

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The following table presents the components of goodwill and intangible assets:

	Gross Balance	Accumulated Amortization	Foreign Currency Translation Adjustment and Other	Net Balance
December 31, 2025				
Acquired insurance contracts	\$ 620	\$ (619)	\$ —	\$ 1
Operating platform	117	(78)	—	39
Distribution relationships	862	(424)	(21)	417
Goodwill	606	—	1	607
Insurance licenses	58	—	—	58
Syndicate capacity	22	—	1	23
Unfavorable service contract	(10)	10	—	—
Other	134	(57)	—	77
Total	\$ 2,409	\$ (1,168)	\$ (19)	\$ 1,222
December 31, 2024				
Acquired insurance contracts	\$ 620	\$ (562)	\$ 1	\$ 59
Operating platform	117	(63)	—	54
Distribution relationships	862	(355)	(30)	477
Goodwill	576	—	(5)	571
Insurance licenses	58	—	—	58
Syndicate capacity	22	—	(1)	21
Unfavorable service contract	(10)	10	—	—
Other	132	(21)	—	111
Total	\$ 2,377	\$ (991)	\$ (35)	\$ 1,351

The estimated remaining amortization expense for the Company's intangible assets with finite lives is as follows:

2026	\$ 119
2027	93
2028	78
2029	65
2030	51
2031 and thereafter	128
Total	\$ 534

The estimated remaining useful lives of these assets range from one to eleven years at December 31, 2025.

19. Shareholder's Equity

Authorized and Issued

The authorized share capital of the Company consists of 2,625,000 common shares, par value of \$1.00 per share, at December 31, 2025 and 2024. The issued share capital of the Company consists of 2,549,323 common shares, par value of \$1.00 per share at December 31, 2025 and 2024. On December 14, 2020, the Company re-designated 11,100 common shares as Preferred Shares, and issued all of the 11,100 Preferred Shares to ACGL in exchange for 1,000 ACSI shares on December 15, 2020.

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Series A Cumulative Redeemable Preferred Shares

On December 15, 2020, the Company issued all of the authorized 11,100 Preferred Shares, with a \$1.00 par value and \$10,000 liquidation preference per share.

Holders of the Preferred Shares will be entitled to receive dividend payments. The dividends will be computed on the basis of a 360-day year of twelve 30-day months at an annual rate of 1.31%.

Except in specified circumstances relating to certain regulations or corporate events, the Preference Shares may be redeemed, at the option of the Company, in whole or in part at any time without penalty at a redemption price of \$10,000 per share plus all accrued but unpaid dividends. See [note 24](#), for further information on the Company's Preferred Shares redemption.

20. Share-Based Compensation

Long Term Incentive and Share Award Plans

Arch Capital utilizes share-based compensation plans for officers, other employees and directors of Arch Capital and its subsidiaries, including Arch Re Bermuda, to provide competitive compensation opportunities, to encourage long-term service, to recognize individual contributions and reward achievement of performance goals and to promote the creation of long-term value for Arch Capital shareholders by aligning the interests of such persons with those of shareholders.

The 2022 Long-Term Incentive and Share Award Plan ("the 2022 Plan") became effective as of May 4, 2022 following approval by shareholders of Arch Capital. The 2022 Plan provides for the issuance of stock options, stock appreciation rights, restricted shares, restricted share units payable in common shares or cash, dividend equivalents, performance shares and performance units and other share-based awards to eligible employees and directors of Arch Capital and subsidiaries. The number of common shares reserved for grants under the 2022 Plan, subject to anti-dilution adjustments in the event of certain changes in Arch Capital's capital structure, is 9.0 million; provided that no more than 6.0 million common shares may be issued as incentive stock options under Section 422 of the Code. The 2022 Plan will terminate as to future awards on February 25, 2032. At December 31, 2025, 5.6 million shares are available for future issuance.

The 2018 Long-Term Incentive and Share Award Plan (the "2018 Plan") became effective as of May 9, 2018 following approval by shareholders of Arch Capital. The 2018 Plan provides for the issuance of restricted stock units, performance units, restricted shares, performance shares, stock options and stock appreciation rights ("SAR") and other equity-based awards to eligible employees and directors of Arch Capital and subsidiaries. The 2018 Plan authorizes the issuance of 34.5 million common shares; provided that no more than 6.0 million common shares may be issued as incentive stock options under Section 422 of the Code. The 2018 Plan will terminate as to future awards on February 28, 2028. At December 31, 2025, 2.3 million shares are available for future issuance.

Upon Arch Capital shareholder approval on May 4, 2023, the Amended and Restated Arch Capital Group Ltd. 2007 Employee Share Purchase Plan (the "ESPP") became effective. The total common shares that may be purchased under the ESPP was increased by 3.0 million shares for a total of 12.75 million shares authorized. The purpose of the ESPP is to give employees of the Company an opportunity to purchase common shares through payroll deductions, thereby encouraging employees to share in the economic growth and success of the Company. The ESPP is designed to qualify as an "employee share purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended. At December 31, 2025, approximately 2.8 million shares remain available for issuance.

Stock Options and Stock Appreciation Rights

Arch Capital generally issues stock options and SARs to eligible employees, with exercise prices equal to the fair market values of Arch Capital's Common Shares on the grant dates (adjusted for special dividends). Such grants generally vest over a three year period with one-third vesting on the first, second and third anniversaries of the grant date. In connection with the Arch Capital's leadership transition in November 2024, Arch Capital's Compensation and Human Capital Committee approved the grant of equity awards, which consist of 0.6 million premium-priced stock options to eligible employees. The Premium-priced stock options have an exercised price equal to 1.685 times the closing price of the Arch Capital's common shares on the grant date (or \$161.24 per share) and will vest in full on the third anniversary of the grant date.

The grant date fair value is determined using the Black-Scholes option valuation model. The expected life assumption was based on an expected term analysis, which incorporated Arch Capital's historical exercise experience. Expected volatility is

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based on the Arch Capital's daily historical trading data of its common shares. The table below summarizes the assumptions used:

	Year Ended December 31,	
	2025	2024
Dividend yield	—%	—%
Expected volatility (1)	26.8%	26.5%
Risk free interest rate (1)	4.1%	4.4%
Expected option life (1)	6.0 years	9.0 years

(1) The 2024 period includes an expected volatility, risk free interest rate and expected option life of 26.65%, 4.39% and 10 years, respectively, related to the grant of 0.6 million premium-priced stock options.

A summary of stock option and SAR activity under Arch Capital's Long Term Incentive and Share Award Plans during 2025 is presented below:

	Year Ended December 31, 2025			
	Number of Options / SARs	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	4,907,437	\$ 48.31		
Granted	275,697	\$ 91.92		
Exercised	(517,120)	\$ 22.45		
Forfeited or expired	(12,476)	\$ 82.86		
Outstanding, end of year	<u>4,653,538</u>	\$ 53.67	4.85	\$ 234
Exercisable, end of year	<u>3,579,006</u>	\$ 32.20	3.68	\$ 228

The aggregate intrinsic value of stock options and SARs exercised represents the difference between the exercise price of the stock options and SARs and the closing market price of the Company's common shares on the exercise dates. During 2025, the Company received proceeds of \$12 million from the exercise of stock options and recognized a tax benefit of \$7 million from the exercise of stock options and SARs.

	Year Ended December 31,	
	2025	2024
Weighted average grant date fair value	\$ 32.47	\$ 29.22
Aggregate intrinsic value of Options/SARs exercised (in millions)	\$ 36	\$ 59

Restricted Common Shares and Restricted Units

Arch Capital also issues restricted share and unit awards to eligible employees, for which the fair value is equal to the fair market values of Arch Capital's common shares on the grant dates. Restricted share and unit awards generally vest over a three year period with one-third vesting on the first, second and third anniversaries of the grant date.

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A summary of restricted share and restricted unit activity under Arch Capital's Long Term Incentive and Share Award Plans for 2025 is presented below:

	Year Ended December 31, 2025	
	Restricted Common Shares	Restricted Unit Awards
Unvested Shares:		
Unvested balance, beginning of year	1,155,982	281,093
Granted	579,039	165,222
Vested	(583,409)	(141,933)
Forfeited	(45,806)	(14,329)
Unvested balance, end of year	<u>1,105,806</u>	<u>290,053</u>
Weighted Average Grant Date Fair Value:		
Unvested balance, beginning of year	\$ 74.75	\$ 73.58
Granted	\$ 91.84	\$ 91.82
Vested	\$ 67.11	\$ 65.98
Forfeited	\$ 85.57	\$ 85.17
Unvested balance, end of year	<u>\$ 87.28</u>	<u>\$ 87.12</u>

The following table presents the weighted average grant date fair value of restricted shares and restricted unit awards granted and the aggregate fair value of restricted shares and unit awards vesting in each year.

	Year Ended December 31,	
	2025	2024
Number of restricted shares and restricted unit awards granted	744,261	725,690
Weighted average grant date fair value	\$ 91.84	\$ 88.38
Aggregate fair value of vested restricted shares and units awards (in millions)	\$ 66	\$ 73

The aggregate intrinsic value of restricted units outstanding at December 31, 2025 was \$28 million.

Performance Awards

Arch Capital also issues performance share and unit awards ("performance awards") to eligible employees, which are earned based on the achievement of pre-established threshold, target and maximum goals over three-year performance periods. Final payouts depend on the level of achievement along with each employees continued service through the vest date, and can vary between 0% and 200%. The grant date fair value of the performance awards is measured using a Monte Carlo simulation model, which incorporated the assumptions summarized in the table below. Expected volatility is based on Arch Capital's daily historical trading data of its common shares. The cumulative compensation expense recognized and unrecognized as of any reporting period date represents the adjusted estimate of performance shares and units that will ultimately be awarded, valued at their original grant date fair values.

	Year Ended December 31,	
	2025	2024
Expected volatility	25.5 %	25.3 %
Risk free interest rate	3.9 %	4.5 %

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	Performance Shares	Performance Units
Unvested Shares:		
Unvested balance, beginning of year	825,450	52,937
Granted	259,358	16,723
Performance adjustment (1) (2)	—	20,009
Vested	(330,464)	(40,018)
Forfeited	(14,794)	(1,596)
Unvested balance, end of year	<u>739,550</u>	<u>48,055</u>
Weighted Average Grant Date Fair Value:		
Unvested balance, beginning of year	\$ 69.71	\$ 70.57
Granted	\$ 93.26	\$ 93.26
Performance adjustment (1) (2)	\$ —	\$ 49.91
Vested	\$ 49.91	\$ 49.91
Forfeited	\$ 85.70	\$ 85.61
Unvested balance, end of year	<u>\$ 86.49</u>	<u>\$ 86.57</u>

- (1) The performance adjustment represents the difference between the number of performance shares granted and earned, which vested following the end of the performance period. The performance shares were granted at the maximum level of achievement.
- (2) The performance adjustment represents the change in PSUs, which vested following the end of the performance period. The performance units were granted at the target level of achievement.

The following table presents the weighted average grant date fair values of performance awards granted.

	Year Ended December 31,	
	2025	2024
Performance awards	276,081	242,614
Weighted average grant date fair value	\$ 93.26	\$ 93.32
Aggregate fair value of vested performance shares and units awards (in millions)	\$ 34	\$ 27

The aggregate intrinsic value of performance units outstanding at December 31, 2025 was \$5 million.

The issuance of share-based awards and amortization thereon has no effect on the Company's consolidated shareholder's equity.

Share-Based Compensation Expense

The following tables present pre-tax and after-tax share-based compensation expense recognized as well as the unrecognized compensation cost associated with unvested awards and the weighted average period over which it is expected to be recognized:

	Year Ended December 31,	
	2025	2024
Pre-Tax		
Stock options and SARs	\$ 13	\$ 7
Restricted share and unit awards	58	49
Performance awards	21	27
ESPP	6	6
Total	<u>\$ 98</u>	<u>\$ 89</u>
After-Tax		
Stock options and SARs	\$ 10	\$ 6
Restricted share and unit awards	46	40
Performance awards	16	22
ESPP	6	5
Total	<u>\$ 78</u>	<u>\$ 73</u>

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	Stock Options and SARs (1)	Restricted Common Shares and Units	Performance Share and Units
Unrecognized compensation cost related to unvested awards	\$ 16	\$ 56	9
Weighted average recognition period (years)	1.43	1.12	0.61

(1) Includes awards granted in connection with the 0.6 million premium-priced stock options.

21. Retirement Plans

For purposes of providing employees with retirement benefits, the Company maintains defined contribution retirement plans. Contributions are based on the participants' eligible compensation. For 2025 and 2024, the Company expensed approximately \$92 million and \$85 million, respectively, related to these retirement plans.

22. Legal Proceedings

The Company, in common with the insurance industry in general, is subject to litigation and arbitration in the normal course of its business. As of December 31, 2025, the Company was not a party to any litigation or arbitration which is expected by management to have a material adverse effect on the Company's results of operations and financial condition and liquidity.

23. Statutory Information

Arch Re Bermuda and its insurance and reinsurance subsidiaries are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities. During 2025 and 2024, Arch Re Bermuda paid dividends to Arch Capital of \$2.0 billion and \$2.5 billion, respectively.

The actual and required statutory capital and surplus for Arch Re Bermuda and its principal operating subsidiaries at December 31, 2025 and 2024:

	December 31,	
	2025	2024
Actual capital and surplus (1):		
Bermuda	\$ 30,908	\$ 28,422
Ireland	1,780	1,476
United States	8,722	7,547
United Kingdom	1,487	1,585
Canada	93	83
Australia	372	377
Required capital and surplus:		
Bermuda	\$ 9,323	\$ 8,344
Ireland	1,408	1,142
United States	2,331	2,152
United Kingdom	1,399	1,302
Canada	68	57
Australia	115	143

(1) Such amounts include ownership interests in affiliated insurance and reinsurance subsidiaries.

There were no state-prescribed or permitted regulatory accounting practices for any of the Company's insurance or reinsurance entities that resulted in reported statutory surplus that differed from that which would have been reported under the prescribed practices of the respective regulatory authorities, including the National Association of Insurance Commissioners. The differences between statutory financial statements and statements prepared in accordance with GAAP

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vary by jurisdiction, however, with the primary differences being that statutory financial statements may not reflect deferred acquisition costs, certain net deferred income tax assets, goodwill and intangible assets, unrealized appreciation or depreciation on debt securities and certain unauthorized reinsurance recoverables and include contingency reserves.

The statutory net income (loss) for the Company’s principal operating subsidiaries for 2025 and 2024 was as follows:

	Year Ended December 31,	
	2025	2024
Statutory net income (loss):		
Bermuda	\$ 4,648	\$ 4,750
Ireland	103	62
United States	1,249	918
United Kingdom	24	41
Canada	4	6
Australia	48	54

Bermuda

The Company’s Bermuda insurance and reinsurance subsidiaries are subject to the Bermuda Insurance Act 1978 and related regulations, each as amended (the “Insurance Act”). Arch Re Bermuda is dual licensed as a Class 4 general business insurer and a Class C long-term insurer while Arch Group Reinsurance Ltd. (“AGRL”) is registered as a Class 3A general business insurer and provides affiliated quota share reinsurance covering certain U.S. business. The Insurance Act requires that both entities maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement (“ECR”) as determined by the Bermuda Monetary Authority (“BMA”). The ECR is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company’s business. At December 31, 2025 and 2024, the actual and required capital and surplus were based on the economic balance sheet requirements.

Under the Insurance Act, Arch Re Bermuda and AGRL are restricted with respect to the payment of dividends. Each entity is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year’s statutory balance sheet) unless it files, at least seven days before payment of such dividends, with the BMA an affidavit stating that it will continue to meet the required margins following the declaration of those dividends. Accordingly, Arch Re Bermuda can pay approximately \$6.4 billion to Arch Capital during 2026 without providing an affidavit to the BMA. Dividends or distributions, if any, made by AGRL would result in an increase in available capital at Arch-U.S.

Ireland

The Company has three Irish subsidiaries: Arch Re Europe, an authorized life and non-life reinsurer, Arch Insurance (EU), an authorized non-life insurer and Arch Underwriting Europe, a registered insurance and reinsurance intermediary. Irish authorized reinsurers and insurers, such as Arch Re Europe, Arch Insurance (EU) and Irish intermediaries, and Arch Underwriters Europe, are subject to the general body of Irish laws and regulations including the provisions of the Companies Act 2014. As part of the Company’s Brexit plan, Arch Insurance (EU) received approval from the Central Bank of Ireland (“CBI”) to expand the nature of its business in 2019 and commenced writing insurance lines in the European Economic Area in 2020, and the Part VII Transfer was completed at the end of December 2020. Arch Re Europe, Arch Insurance (EU) and Arch Underwriters Europe are subject to the supervision of the CBI and must comply with Irish insurance acts and regulations as well as with directions and guidance issued by the CBI. Arch Re Europe and Arch Insurance (EU) are required to maintain a minimum level of capital. At December 31, 2025 and 2024, these requirements were met.

The amount of dividends these subsidiaries are permitted to declare is limited to accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital duly made. The solvency and capital requirements must still be met following any distribution. Dividends or distributions, if any, made by Arch Re Europe would result in an increase in available capital at Arch Re Bermuda.

United States

The Company’s U.S. insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate. The ability of the Company’s regulated insurance subsidiaries to pay dividends or make distributions is dependent on their ability to meet applicable regulatory standards. These regulations include restrictions that limit the

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amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities.

Dividends or distributions, if any, made by Arch Re U.S. would result in an increase in available capital at Arch-U.S., the Company's U.S. holding company. Arch Re U.S. can declare a maximum of approximately \$523 million of dividends during 2026 subject to the approval of the Commissioner of the Delaware Department of Insurance.

AMIC and UGRIC are approved as eligible mortgage insurers by Fannie Mae and Freddie Mac, subject to their comprehensive requirements, known as the Private Mortgage Insurer Eligibility Requirements or "PMIERS." In August 2024, the GSEs updated PMIERS to incorporate new deductions to the definition of available assets of investment risk. The update became effective March 31, 2025, but the impact will be phased in through September 30, 2026. Further, the amount of assets required to satisfy the revised financial requirements of the PMIERS may be affected by many factors, including macroeconomic conditions, the size and composition of our mortgage insurance portfolio, and the amount of risk ceded to reinsurers that may be deducted in our calculation of "minimum required assets."

The Company's U.S. mortgage insurance subsidiaries are also subject to regulation by their respective domiciliary and primary regulators, which include the Wisconsin Office of the Commissioner of Insurance ("Wisconsin OCI") and the North Carolina Department of Insurance ("NC DOI"), as well as the state insurance departments in each state in which they are licensed. As mandated by state insurance laws, mortgage insurers are generally mono-line companies. Each company is subject to the statutory requirements of their domiciliary regulator as to payment of dividends and return of capital; the GSEs may also impart limitations on dividends with respect to the Company's eligible mortgage insurers, such as if available assets fall below the required minimum assets. Under respective state law, the Company's U.S. mortgage subsidiaries can declare a maximum of approximately \$295 million of ordinary dividends in 2026, however, dividend capacity is limited by the respective companies unassigned surplus amounts. Such dividends would increase the available capital at Arch U.S. MI Holdings Inc., a subsidiary of Arch-U.S.

Mortgage insurance companies licensed in Wisconsin or North Carolina are required to establish contingency loss reserves for purposes of statutory accounting in an amount equal to at least 50% of net earned premiums. These amounts generally cannot be withdrawn for a period of 10 years and are separate liabilities for statutory accounting purposes, which affects the ability to pay dividends. However, with prior regulatory approval, a mortgage insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net premiums earned in a calendar year.

Under Wisconsin and North Carolina law, as well as that of 14 other states, a mortgage insurer must maintain a minimum amount of statutory capital relative to its risk in force in order for the mortgage insurer to continue to write new business. While formulations of minimum capital vary in certain jurisdictions, the most common measure applied allows for a maximum risk-to-capital ratio of 25 to 1. Wisconsin and North Carolina require mortgage insurers to maintain a "minimum policyholder position" calculated in accordance with their respective regulations. Policyholders' position consists primarily of statutory policyholders' surplus plus the contingency loss reserves.

United Kingdom

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") regulate insurance and reinsurance companies and the FCA regulates firms carrying on insurance mediation activities operating in the U.K., both under the Financial Services and Markets Act 2000. In May 2004, Arch Insurance (U.K.) was granted the relevant permissions for the classes of insurance business which it underwrites in the U.K. AMAL currently manages our Lloyd's Syndicates pursuant to its authorizations by the U.K. regulators and Lloyd's. All U.K. companies are also subject to a range of statutory provisions, including the laws and regulations of the Companies Act 2006 (as amended) (the "U.K. Companies Act").

Arch Insurance (U.K.) and AMAL must maintain a margin of solvency at all times under the Solvency II Directive from the European Insurance and Occupational Pensions Authority. The regulations stipulate that insurers are required to maintain the minimum capital requirement and solvency capital requirement at all times. At December 31, 2025 and 2024, these requirements were met.

As corporate members of Lloyd's, AMAL (as managing agent of the Company's Lloyd's Syndicates) and each syndicate's respective corporate members are subject to the oversight of the Council of Lloyd's. The capital required to support a Syndicate's underwriting capacity, or funds at Lloyd's, is assessed annually and is determined by Lloyd's in accordance with the capital adequacy rules established by the PRA. The Company has provided capital to support the underwriting of our Lloyd's Syndicates in the form of pledged assets and letters of credit provided by Arch Re Bermuda. The amount which the Company provides as funds at Lloyd's is not available for distribution to the Company for the payment of dividends. Lloyd's is

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supervised by the PRA and required to implement certain rules prescribed by the PRA under the Lloyd's Act of 1982 regarding the operation of the Lloyd's market. With respect to managing agents and corporate members, Lloyd's prescribes certain minimum standards relating to management and control, solvency and other requirements and monitors managing agents' compliance with such standards.

Under U.K. law, all U.K. companies are restricted from declaring a dividend to their shareholders unless they have "profits available for distribution." The calculation as to whether a company has sufficient profits is based on its accumulated realized profits minus its accumulated realized losses. U.K. insurance regulatory laws do not prohibit the payment of dividends, but the PRA or FCA, as applicable, requires that insurance companies and insurance intermediaries maintain certain solvency margins and may restrict the payment of a dividend by Arch Insurance (U.K.) and AMAL.

Canada

Arch Insurance Canada and the Canadian branch of Arch Re U.S. ("Arch Re Canada") are subject to federal, as well as provincial and territorial, regulation in Canada. The Office of the Superintendent of Financial Institutions ("OSFI") is the federal regulatory body that, under the Insurance Companies Act (Canada), regulates federal Canadian and non-Canadian insurance companies operating in Canada. Arch Insurance Canada and Arch Re Canada are subject to regulation in the provinces and territories in which they underwrite insurance/reinsurance, and the primary goal of insurance/reinsurance regulation at the provincial and territorial levels is to govern the market conduct of insurance/reinsurance companies. Arch Insurance Canada is licensed to carry on insurance business by OSFI and in each province and territory. Arch Re Canada is licensed to carry-on reinsurance business by OSFI and in the provinces of Ontario and Quebec.

Under the Insurance Companies Act (Canada), Arch Insurance Canada is required to maintain an adequate amount of capital in Canada, calculated in accordance with a test promulgated by OSFI called the Minimum Capital Test ("MCT"), and Arch Re Canada is required to maintain an adequate margin of assets over liabilities in Canada, calculated in accordance with a test promulgated by OSFI called the Branch Adequacy of Assets Test. Under the Insurance Companies Act (Canada), approval of the Minister of Finance (Canada) is required in connection with certain acquisitions of shares of, or control of, Canadian insurance companies such as Arch Insurance Canada, and notice to and/or approval of OSFI is required in connection with the payment of dividends by or redemption of shares by Canadian insurance companies such as Arch Insurance Canada.

Australia

The Australian Prudential Regulation Authority ("APRA") is an independent statutory authority responsible for prudential supervision of institutions across banking, insurance and superannuation and promotes financial stability in Australia. Arch Indemnity has been authorized to conduct monoline lenders' mortgage insurance business in Australia since June 2002 and was acquired by the Company on August 30, 2021 and since that date is the primary provider of lenders' mortgage insurance for the group. Arch Indemnity has also been licensed by the Australian Securities and Investments Commission ("ASIC") since March 2011 to engage in credit activities in Australia. Arch LMI Pty Ltd. ("Arch LMI") was formerly authorized by APRA in January 2019 to conduct monoline lenders' mortgage insurance business in Australia; however, in 2022, we converted Arch LMI to a services company for our Australian lenders mortgage insurance operations and the company relinquished its APRA authorization. Major regulatory requirements that are applicable to Arch Indemnity in general as an insurance provider and financial institution in Australia include requirements and compliance with minimum capital levels; risk management strategy; corporate governance standards, privacy legislation on the collection, use and storage of personal information; cyber security obligations imposed by APRA and ASIC; modern slavery legislation; anti-money laundering and counter-terrorism legislation. At December 31, 2025 and 2024, these requirements were met.

The Company also conducts property and casualty insurance business in Australia through the Company's Lloyd's platform. This insurance business is managed by and distributed through local coverholders and is subject to Lloyd's Supervision. In addition, the business is subject to local Australian prudential regulatory oversight by APRA, and additional separate financial services market conduct regulation by the Australian Securities and Investments Commission.

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24. Subsequent Event

Dividends Declared

On January 9, 2026 and March 12, 2026, the Company authorized dividends to ACGL. Through March 31, 2026, a total of \$690 million of dividends have been paid by the Company. These dividends were paid subsequent to December 31, 2025 and, accordingly, has not been reflected in the accompanying consolidated financial statements.

Preferred Shares Redemption

On March 26, 2026, the Company redeemed 11,100 shares of its Series A cumulative redeemable preferred Shares for an aggregate redemption price of \$111.3 million, including any applicable accrued interest. The redemption was funded using available funds on hand. As the redemption occurred subsequent to December 31, 2025, it has not been reflected in the accompanying consolidated financial statements.