

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2025

Or

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

Commission file number: 001-16209



ARCH CAPITAL GROUP LTD.

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of incorporation or organization)

98-0374481

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

Waterloo House, Ground Floor

100 Pitts Bay Road, Pembroke HM 08, Bermuda

(Address of principal executive offices)

(441) 278-9250

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol (s)	Name of each exchange on which registered	
Common shares, \$0.0011 par value per share	ACGL	NASDAQ	Stock Market
Depository shares, each representing a 1/1000th interest in a 5.45% Series F preferred share	ACGLO	NASDAQ	Stock Market
Depository shares, each representing a 1/1000th interest in a 4.55% Series G preferred share	ACGLN	NASDAQ	Stock Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

As of August 1, 2025, there were 373,220,295 common shares, \$0.0011 par value per share, of the registrant outstanding.

ARCH CAPITAL GROUP LTD.

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PART I. FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements

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

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

- our ability to successfully implement our business strategy during “soft” as well as “hard” markets;
- acceptance of our business strategy, security and financial condition by rating agencies and regulators, as well as by brokers and our insureds and reinsureds;
- our ability to consummate acquisitions and integrate the business we have acquired or may acquire into our existing operations;
- our ability to maintain or improve our ratings, which may be affected by our ability to raise additional equity or debt financings, by ratings agencies’ existing or new policies and practices, as well as other factors described herein;
- general economic and market conditions (including inflation, interest rates, unemployment, housing prices, foreign currency exchange rates, prevailing credit terms, tariffs and the depth and duration of a recession) and conditions specific to the reinsurance and insurance markets in which we operate;
- competition, including increased competition, on the basis of pricing, capacity (including alternative sources of capital), coverage terms, or other factors;
- developments in the world’s financial and capital markets and our access to such markets;
- our ability to successfully enhance, integrate and maintain operating procedures (including information technology) to effectively support our current and new business;
- the loss and addition of key personnel;
- material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements;
- accuracy of those estimates and judgments utilized in the preparation of our financial statements, including those related to revenue recognition, insurance and other reserves, reinsurance recoverables, investment valuations, intangible assets, bad debts, income taxes, deferred income tax assets, contingencies and litigation, and any determination to use the deposit method of accounting;
- greater than expected loss ratios on business written by us and adverse development on claim and/or claim expense liabilities related to business written by our insurance, reinsurance and mortgage subsidiaries;
- the adequacy of the Company’s loss reserves;
- severity and/or frequency of losses;
- greater frequency or severity of unpredictable natural and man-made catastrophic events;
- claims for natural or man-made catastrophic events or severe economic events in our insurance, reinsurance and mortgage businesses could cause large losses and substantial volatility in our results of operations;
- availability to us of reinsurance to manage our net exposure and the cost of such reinsurance;
- the failure of reinsurers, managing general agents, third party administrators or others to meet their obligations to us;

- the timing of loss payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;
- our investment performance, including legislative or regulatory developments that may adversely affect the fair value of our investments;
- changes in general economic conditions, including sovereign debt concerns or downgrades of U.S. securities by credit rating agencies, which could affect our business, financial condition and results of operations;
- an incident, disruption in operations or other cyber event caused by a cyber attack, inadvertent error, the use of artificial intelligence technologies or other technology on our systems or those of our business partners and service providers, which could negatively impact our business and/or expose us to litigation;
- the effect of climate change on our business;
- the effect of contagious diseases on our business;
- acts of terrorism, political unrest and other hostilities or other unforecasted and unpredictable events;
- the volatility of our shareholders' equity from foreign currency fluctuations, which could increase due to us not matching portions of our projected liabilities in foreign currencies with investments in the same currencies;
- changes in accounting principles or policies or in our application of such accounting principles or policies;
- changes in the political environment of certain countries in which we operate or underwrite business;
- statutory or regulatory developments, including as to tax matters and insurance and other regulatory matters such as the adoption of legislation that affects Bermuda-headquartered companies and/or Bermuda-based insurers or reinsurers and/or changes in regulations or tax laws applicable to us, our subsidiaries, brokers or customers, including the implementation of the Organization for Economic Cooperation and Development ("OECD") Pillar I and Pillar II initiatives and the enactment of Bermuda corporate income tax; and
- the other matters set forth under Item 1A "Risk Factors," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on February 27, 2025 and of the Company's latest Quarterly Reports on Form 10-Q, as well as the other factors set forth in the Company's other documents on file with the SEC, and management's response to any of the aforementioned factors.

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(U.S. dollars and shares in millions)

	(Unaudited)	
	June 30, 2025	December 31, 2024
Assets		
Investments:		
Fixed maturities available for sale, at fair value (amortized cost: \$30,312 and \$27,570; net of allowance for credit losses: \$28 and \$22)	\$ 30,332	\$ 27,035
Short-term investments available for sale, at fair value (amortized cost: \$2,786 and \$2,784; net of allowance for credit losses: \$0 and \$0)	2,788	2,784
Equity securities, at fair value	1,715	1,675
Other investments, at fair value	2,892	3,066
Investments accounted for using the equity method	6,566	5,980
Total investments	44,293	40,540
Cash	983	979
Accrued investment income	329	298
Investment in operating affiliates	1,356	1,240
Premiums receivable (net of allowance for credit losses: \$46 and \$45)	7,067	5,634
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses (net of allowance for credit losses: \$19 and \$17)	9,044	8,260
Contractholder receivables (net of allowance for credit losses: \$6 and \$5)	2,280	2,161
Ceded unearned premiums	3,229	2,428
Deferred acquisition costs	1,814	1,734
Receivable for securities sold	390	50
Goodwill and intangible assets	1,319	1,351
Other assets	6,684	6,231
Total assets	\$ 78,788	\$ 70,906
Liabilities		
Reserve for losses and loss adjustment expenses	\$ 32,089	\$ 29,369
Unearned premiums	11,625	10,218
Reinsurance balances payable	2,841	2,137
Contractholder payables	2,286	2,165
Collateral held for insured obligations	225	249
Senior notes	2,728	2,728
Payable for securities purchased	728	181
Other liabilities	3,225	3,039
Total liabilities	55,747	50,086
Commitments and contingencies (refer to Note 11)		
Shareholders' Equity		
Non-cumulative preferred shares	830	830
Common shares (\$0.0011 par, shares issued: 599.1 and 595.6)	1	1
Additional paid-in capital	2,660	2,510
Retained earnings	24,477	22,686
Accumulated other comprehensive income (loss), net of deferred income tax	(48)	(720)
Common shares held in treasury, at cost (shares: 223.7 and 219.2)	(4,879)	(4,487)
Total shareholders' equity available to Arch	23,041	20,820
Total liabilities and shareholders' equity	\$ 78,788	\$ 70,906

See Notes to Consolidated Financial Statements

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(U.S. dollars and shares in millions, except per share data)

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues				
Net premiums earned	\$ 4,337	\$ 3,565	8,525	6,987
Net investment income	405	364	783	691
Net realized gains (losses)	229	122	232	189
Other underwriting income	62	3	115	15
Equity in net income of investments accounted for using the equity method	162	167	215	266
Other income (loss)	18	8	16	22
Total revenues	5,213	4,229	9,886	8,170
Expenses				
Losses and loss adjustment expenses	2,303	1,827	4,890	3,555
Acquisition expenses	824	633	1,588	1,240
Other operating expenses	454	346	927	709
Corporate expenses	47	41	107	94
Amortization of intangible assets	48	27	97	48
Interest expense	38	35	73	69
Net foreign exchange (gains) losses	88	(1)	115	(32)
Total expenses	3,802	2,908	7,797	5,683
Income (loss) before income taxes and income (loss) from operating affiliates	1,411	1,321	2,089	2,487
Income tax (expense) benefit	(214)	(97)	(335)	(198)
Income (loss) from operating affiliates	40	45	57	100
Net income (loss) available to Arch	1,237	1,269	1,811	2,389
Preferred dividends	(10)	(10)	(20)	(20)
Net income (loss) available to Arch common shareholders	\$ 1,227	\$ 1,259	\$ 1,791	\$ 2,369
Net income per common share and common share equivalent				
Basic	\$ 3.30	\$ 3.38	\$ 4.81	\$ 6.37
Diluted	\$ 3.23	\$ 3.30	\$ 4.70	\$ 6.22
Weighted average common shares and common share equivalents outstanding				
Basic	372.2	372.7	372.6	371.8
Diluted	379.9	381.6	380.8	380.9

See Notes to Consolidated Financial Statements

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

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2025	2024	2025	2024
Comprehensive Income				
Net income (loss)	\$ 1,237	\$ 1,269	\$ 1,811	\$ 2,389
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	303	(26)	537	(167)
Reclassification of net realized (gains) losses, included in net income (loss)	(7)	53	45	82
Foreign currency translation adjustments	64	(16)	90	(49)
Comprehensive income (loss) available to Arch	<u>\$ 1,597</u>	<u>\$ 1,280</u>	<u>\$ 2,483</u>	<u>\$ 2,255</u>

See Notes to Consolidated Financial Statements

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. dollars in millions)

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2025	2024	2025	2024
Non-cumulative preferred shares				
Balance at beginning and end of period	\$ 830	\$ 830	\$ 830	\$ 830
Common shares				
Balance at beginning and end of period	1	1	1	1
Additional paid-in capital				
Balance at beginning of period	2,588	2,401	2,510	2,327
Amortization of share-based compensation	25	16	99	84
Other changes	47	26	51	32
Balance at end of period	2,660	2,443	2,660	2,443
Retained earnings				
Balance at beginning of period	23,250	21,405	22,686	20,295
Net income (loss)	1,237	1,269	1,811	2,389
Preferred share dividends	(10)	(10)	(20)	(20)
Balance at end of period	24,477	22,664	24,477	22,664
Accumulated other comprehensive income (loss), net of deferred income tax				
Balance at beginning of period	(408)	(821)	(720)	(676)
Unrealized appreciation (decline) in value of available-for-sale investments, net of deferred income tax:				
Balance at beginning of period	(221)	(677)	(507)	(565)
Unrealized holding gains (losses) during period, net of reclassification adjustment	296	27	582	(85)
Balance at end of period	75	(650)	75	(650)
Foreign currency translation adjustments, net of deferred income tax:				
Balance at beginning of period	(187)	(144)	(213)	(111)
Foreign currency translation adjustments	64	(16)	90	(49)
Balance at end of period	(123)	(160)	(123)	(160)
Balance at end of period	(48)	(810)	(48)	(810)
Common shares held in treasury, at cost				
Balance at beginning of period	(4,716)	(4,461)	(4,487)	(4,424)
Shares repurchased for treasury	(163)	(2)	(392)	(39)
Balance at end of period	(4,879)	(4,463)	(4,879)	(4,463)
Total shareholders' equity	\$ 23,041	\$ 20,665	\$ 23,041	\$ 20,665

See Notes to Consolidated Financial Statements

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

	(Unaudited) Six Months Ended June 30,	
	2025	2024
Operating Activities		
Net income (loss)	\$ 1,811	\$ 2,389
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net realized (gains) losses	(231)	(196)
Equity in net (income) or loss of investments accounted for using the equity method and other income or loss	(107)	(174)
Amortization of intangible assets	97	48
Share-based compensation	99	84
Changes in:		
Reserve for losses and loss adjustment expenses, net of unpaid losses and loss adjustment expenses recoverable	1,386	1,369
Unearned premiums, net of ceded unearned premiums	338	879
Premiums receivable	(1,294)	(1,682)
Deferred acquisition costs	19	(80)
Reinsurance balances payable	663	616
Deferred income tax assets, net	109	45
Other items, net	(308)	(216)
Net cash provided by operating activities	2,582	3,082
Investing Activities		
Purchases of fixed maturity investments	(17,568)	(14,123)
Purchases of equity securities	(987)	(654)
Purchases of other investments	(1,232)	(1,369)
Proceeds from sales of fixed maturity investments	13,823	11,220
Proceeds from sales of equity securities	1,043	547
Proceeds from sales, redemptions and maturities of other investments	1,091	619
Proceeds from redemptions and maturities of fixed maturity investments	1,326	878
Net settlements of derivative instruments	240	12
Net (purchases) sales of short-term investments	52	(25)
Purchases of fixed assets	(21)	(26)
Other	(3)	3
Net cash used for investing activities	(2,236)	(2,918)
Financing Activities		
Purchases of common shares under share repurchase program	(359)	—
Proceeds from common shares issued, net	19	(8)
Common dividends paid	(7)	—
Preferred dividends paid	(20)	(20)
Other	(2)	—
Net cash used for financing activities	(369)	(28)
Effects of exchange rate changes on foreign currency cash and restricted cash	71	(7)
Increase (decrease) in cash and restricted cash	48	129
Cash and restricted cash, beginning of year	1,760	1,498
Cash and restricted cash, end of period	\$ 1,808	\$ 1,627
Income taxes paid (received)	149	145
Interest paid	64	63

See Notes to Consolidated Financial Statements

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation and Recent Accounting Pronouncements

General

Arch Capital Group Ltd. (“Arch Capital”) is a publicly listed Bermuda exempted company which provides insurance, reinsurance and mortgage insurance on a worldwide basis through its wholly-owned subsidiaries. As used herein, the “Company” and/or “Arch” means Arch Capital and its subsidiaries.

Basis of Presentation

The interim consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). 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. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments (consisting of normally recurring accruals) necessary for a fair statement of results on an interim basis. The results of any interim period are not necessarily indicative of the results for a full year or any future periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted; however, management believes that the disclosures are adequate to make the information presented not misleading. This report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 (“2024 Form 10-K”), including the Company’s audited consolidated financial statements and related notes.

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, shareholders’ equity or cash flows. All amounts are in millions, except per share amounts, unless otherwise noted.

Recent Accounting Pronouncements

For information regarding additional accounting standards that the Company has not yet adopted, see note 3(t), “Significant Accounting Policies—Recent Accounting Pronouncements,” of the notes to consolidated financial statements in the Company’s 2024 Form 10-K.

2. Acquisition

On August 1, 2024, the Company completed the acquisition of the U.S. MidCorp and Entertainment insurance business from Allianz (“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 a new niche entertainment insurance market.

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 ‘corporate expenses’ in the consolidated statement of income. The Business acquired is included within the Company’s insurance segment beginning from the acquisition date.

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 those 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 to 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 three month period ended June 30, 2025.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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.

	Total	Useful Life
Purchase price		
Cash paid (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	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.

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 \$565 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. Share Transactions

Share Repurchases

The Board of Directors of Arch Capital has authorized the investment in Arch Capital's common shares through a share repurchase program. Since the inception of the share repurchase program, Arch Capital has repurchased 437.9 million common shares for an aggregate purchase price of \$6.3 billion. For the six months ended June 30, 2025, Arch Capital repurchased 4.1 million shares under the share repurchase program with an aggregate purchase price of \$359.7 million. Arch Capital did not repurchase any shares under the share repurchase program during the six months ended June 30, 2024. At June 30, 2025, \$637.1 million of share repurchases were available under the program, which may be effected from time to time in open market or privately negotiated transactions. The timing and amount of the repurchase transactions under this program will depend on a variety of factors, including market conditions and corporate and regulatory considerations.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net income (loss) available to Arch	\$ 1,237	\$ 1,269	\$ 1,811	\$ 2,389
Preferred dividends	(10)	(10)	(20)	(20)
Net income (loss) available to Arch common shareholders	<u>\$ 1,227</u>	<u>\$ 1,259</u>	<u>\$ 1,791</u>	<u>\$ 2,369</u>
Denominator:				
Weighted average common shares and common share equivalents outstanding — basic	372.2	372.7	372.6	371.8
Effect of dilutive common share equivalents:				
Nonvested restricted shares	1.6	1.8	1.7	1.9
Stock options (1)	6.1	7.1	6.5	7.2
Weighted average common shares and common share equivalents outstanding — diluted	<u>379.9</u>	<u>381.6</u>	<u>380.8</u>	<u>380.9</u>
Earnings per common share:				
Basic	<u>\$ 3.30</u>	<u>\$ 3.38</u>	<u>\$ 4.81</u>	<u>\$ 6.37</u>
Diluted	<u>\$ 3.23</u>	<u>\$ 3.30</u>	<u>\$ 4.70</u>	<u>\$ 6.22</u>

- (1) Certain stock options were not included in the computation of diluted earnings per share where the exercise price of the stock options exceeded the average market price and would have been anti-dilutive or where, when applying the treasury stock method to in-the-money options, the sum of the proceeds, including unrecognized compensation, exceeded the average market price and would have been anti-dilutive. For the 2025 second quarter and 2024 second quarter, the number of stock options excluded were 2.2 million and 0.2 million, respectively. For the six months ended June 30, 2025 and 2024, the number of stock options excluded were 2.4 million and 0.4 million, respectively.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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5. Segment Information

The Company's insurance, reinsurance and mortgage segments each have managers who are responsible for the overall profitability of their respective segments and who are directly accountable to the Company's chief operating decision makers ("CODM"). The Chief Executive Officer and the Chief Financial Officer and Treasurer are the Company's CODMs. CODMs do not assess performance, measure return on equity or make resource allocation decisions on a line of business basis. Management measures segment performance for its three reportable segments based on underwriting income or loss. The Company does not manage its assets by segment, with the exception of goodwill and intangible assets, and accordingly, investment income is not allocated to each segment.

The Company determined its segments using the management approach described in accounting guidance regarding disclosures about segments of an enterprise and related information. The accounting policies of the segments are the same as those used for the preparation of the Company's consolidated financial statements. Intersegment business is allocated to the segment accountable for the underwriting results.

The Company's insurance segment primarily consists of commercial insurance lines of business, with a focus on specialty insurance products. These products are mainly offered in North America, Bermuda, the United Kingdom, continental Europe and Australia. Products offered in North America include: commercial automobile; commercial multi-peril; other liability—claims made, which includes financial and professional lines; other liability—occurrence, which includes admitted and excess and surplus casualty lines; property and short-tail specialty; workers compensation; and other. Products offered across the Company's International units include: property and short-tail specialty; and casualty and other.

The Company's reinsurance segment offers reinsurance products on a worldwide basis. Product lines of business include: casualty; marine and aviation; specialty; property catastrophe; property excluding property catastrophe; and other.

The Company's mortgage segment consists of U.S. primary mortgage insurance business written predominantly on loans sold to the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), each a government sponsored entity ("GSE") and also through non GSE approved entities (combined "Arch MI U.S."); reinsurance and underwriting services related to U.S. credit-risk transfer ("CRT") business which are predominately with the GSEs and other U.S. mortgage reinsurance transactions; and international mortgage insurance and reinsurance business covering loans primarily in Australia and Europe.

The Company's results also include net investment income, net realized gains or losses (which includes realized and unrealized changes in the fair value of equity securities and assets accounted for using the fair value option, realized and unrealized gains or losses on derivative instruments, changes in the allowance for credit losses on financial assets and gains or losses realized from the acquisition or disposition of subsidiaries), equity in net income or loss of investments accounted for using the equity method, other income (loss), corporate expenses, transaction costs and other, amortization of intangible assets, interest expense, net foreign exchange gains or losses, income tax items, income or loss from operating affiliates and items related to the Company's non-cumulative preferred shares.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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The following tables summarize the Company's underwriting income or loss by segment, together with a reconciliation of underwriting income or loss to net income available to Arch common shareholders:

	Three Months Ended June 30, 2025			
	Insurance	Reinsurance	Mortgage	Total
Gross premiums written (1)	\$ 2,681	\$ 3,196	\$ 323	\$ 6,196
Premiums ceded (1)	(645)	(1,137)	(70)	(1,848)
Net premiums written	2,036	2,059	253	4,348
Change in unearned premiums	(67)	28	28	(11)
Net premiums earned	1,969	2,087	281	4,337
Other underwriting income (2)	13	46	3	62
Losses and loss adjustment expenses	(1,178)	(1,128)	3	(2,303)
Acquisition expenses	(387)	(436)	(1)	(824)
Other operating expenses (3)	(288)	(118)	(48)	(454)
Underwriting income (loss)	\$ 129	\$ 451	\$ 238	818
Net investment income				405
Net realized gains (losses)				229
Equity in net income of investments accounted for using the equity method				162
Other income (loss)				18
Corporate expenses (4)				(29)
Transaction costs and other (4)				(18)
Amortization of intangible assets				(48)
Interest expense				(38)
Net foreign exchange gains (losses)				(88)
Income (loss) before income taxes and income (loss) from operating affiliates				1,411
Income tax (expense) benefit				(214)
Income (loss) from operating affiliates				40
Net income (loss) available to Arch				1,237
Preferred dividends				(10)
Net income (loss) available to Arch common shareholders				\$ 1,227
Underwriting Ratios				
Loss ratio	59.8 %	54.1 %	(1.2)%	53.1 %
Acquisition expense ratio	19.6 %	20.9 %	0.4 %	19.0 %
Other operating expense ratio (5)	14.0 %	3.5 %	16.0 %	9.1 %
Combined ratio	93.4 %	78.5 %	15.2 %	81.2 %
Goodwill and intangible assets	\$ 875	\$ 105	\$ 339	\$ 1,319

- (1) Certain assumed and ceded amounts related to intersegment transactions are included in individual segment results. Accordingly, the sum of such transactions for each segment does not agree to the total due to eliminations.
- (2) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.
- (3) 'Other operating expenses' primarily include expenses that are related to compensation and employee benefits, information technology and professional fees.
- (4) Certain expenses have been excluded from 'Corporate expenses' and reflected in 'Transaction costs and other.'
- (5) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.'

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	Three Months Ended June 30, 2024			
	Insurance	Reinsurance	Mortgage	Total
Gross premiums written (1)	\$ 2,102	\$ 2,941	\$ 340	\$ 5,382
Premiums ceded (1)	(544)	(994)	(64)	(1,601)
Net premiums written	1,558	1,947	276	3,781
Change in unearned premiums	(80)	(167)	31	(216)
Net premiums earned	1,478	1,780	307	3,565
Other underwriting income	—	1	2	3
Losses and loss adjustment expenses	(848)	(1,006)	27	(1,827)
Acquisition expenses	(288)	(345)	—	(633)
Other operating expenses (2)	(233)	(64)	(49)	(346)
Underwriting income (loss)	\$ 109	\$ 366	\$ 287	762
Net investment income				364
Net realized gains (losses)				122
Equity in net income of investments accounted for using the equity method				167
Other income (loss)				8
Corporate expenses (3)				(23)
Transaction costs and other (3)				(18)
Amortization of intangible assets				(27)
Interest expense				(35)
Net foreign exchange gains (losses)				1
Income (loss) before income taxes and income (loss) from operating affiliates				1,321
Income tax (expense) benefit				(97)
Income (loss) from operating affiliates				45
Net income (loss) available to Arch				1,269
Preferred dividends				(10)
Net income (loss) available to Arch common shareholders				\$ 1,259
Underwriting Ratios				
Loss ratio	57.3 %	56.5 %	(8.6)%	51.2 %
Acquisition expense ratio	19.5 %	19.4 %	0.1 %	17.8 %
Other operating expense ratio	15.8 %	3.6 %	15.9 %	9.7 %
Combined ratio	92.6 %	79.5 %	7.4 %	78.7 %
Goodwill and intangible assets	\$ 255	\$ 114	\$ 356	\$ 725

- (1) Certain assumed and ceded amounts related to intersegment transactions are included in individual segment results. Accordingly, the sum of such transactions for each segment does not agree to the total due to eliminations.
- (2) 'Other operating expenses' primarily include expenses that are related to compensation and employee benefits, information technology and professional fees.
- (3) Certain expenses have been excluded from 'Corporate expenses' and reflected in 'Transaction costs and other.'

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Six Months Ended June 30, 2025			
	Insurance	Reinsurance	Mortgage	Total
Gross premiums written (1)	\$ 5,326	\$ 6,690	\$ 649	\$ 12,659
Premiums ceded (1)	(1,357)	(2,315)	(130)	(3,796)
Net premiums written	3,969	4,375	519	8,863
Change in unearned premiums	(140)	(260)	62	(338)
Net premiums earned	3,829	4,115	581	8,525
Other underwriting income (2)	16	85	14	115
Losses and loss adjustment expenses	(2,406)	(2,484)	—	(4,890)
Acquisition expenses	(730)	(853)	(5)	(1,588)
Other operating expenses (3)	(582)	(245)	(100)	(927)
Underwriting income (loss)	\$ 127	\$ 618	\$ 490	1,235
Net investment income				783
Net realized gains (losses)				232
Equity in net income of investments accounted for using the equity method				215
Other income (loss)				16
Corporate expenses (4)				(79)
Transaction costs and other (4)				(28)
Amortization of intangible assets				(97)
Interest expense				(73)
Net foreign exchange gains (losses)				(115)
Income (loss) before income taxes and income (loss) from operating affiliates				2,089
Income tax (expense) benefit				(335)
Income (loss) from operating affiliates				57
Net income (loss) available to Arch				1,811
Preferred dividends				(20)
Net income (loss) available to Arch common shareholders				\$ 1,791
Underwriting Ratios				
Loss ratio	62.8 %	60.4 %	— %	57.4 %
Acquisition expense ratio	19.1 %	20.7 %	0.9 %	18.6 %
Other operating expense ratio (5)	14.8 %	3.9 %	14.9 %	9.5 %
Combined ratio	96.7 %	85.0 %	15.8 %	85.5 %

- (1) Certain assumed and ceded amounts related to intersegment transactions are included in individual segment results. Accordingly, the sum of such transactions for each segment does not agree to the total due to eliminations.
- (2) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.
- (3) 'Other operating expenses' primarily include expenses that are related to compensation and employee benefits, information technology and professional fees.
- (4) Certain expenses have been excluded from 'Corporate expenses' and reflected in 'Transaction costs and other.'
- (5) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.'

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	Six Months Ended June 30, 2024			
	Insurance	Reinsurance	Mortgage	Total
Gross premiums written (1)	\$ 4,228	\$ 6,408	\$ 681	\$ 11,315
Premiums ceded (1)	(1,128)	(2,195)	(128)	(3,449)
Net premiums written	3,100	4,213	553	7,866
Change in unearned premiums	(171)	(767)	59	(879)
Net premiums earned	2,929	3,446	612	6,987
Other underwriting income	—	3	12	15
Losses and loss adjustment expenses	(1,702)	(1,889)	36	(3,555)
Acquisition expenses	(564)	(676)	—	(1,240)
Other operating expenses (2)	(468)	(139)	(102)	(709)
Underwriting income (loss)	\$ 195	\$ 745	\$ 558	1,498
Net investment income				691
Net realized gains (losses)				189
Equity in net income of investments accounted for using the equity method				266
Other income (loss)				22
Corporate expenses (3)				(69)
Transaction costs and other (3)				(25)
Amortization of intangible assets				(48)
Interest expense				(69)
Net foreign exchange gains (losses)				32
Income (loss) before income taxes and income (loss) from operating affiliates				2,487
Income tax (expense) benefit				(198)
Income (loss) from operating affiliates				100
Net income (loss) available to Arch				2,389
Preferred dividends				(20)
Net income (loss) available to Arch common shareholders				\$ 2,369
Underwriting Ratios				
Loss ratio	58.1 %	54.8 %	(5.8)%	50.9 %
Acquisition expense ratio	19.2 %	19.6 %	0.1 %	17.7 %
Other operating expense ratio	16.0 %	4.0 %	16.7 %	10.1 %
Combined ratio	93.3 %	78.4 %	11.0 %	78.7 %

- (1) Certain assumed and ceded amounts related to intersegment transactions are included in individual segment results. Accordingly, the sum of such transactions for each segment does not agree to the total due to eliminations.
- (2) 'Other operating expenses' primarily include expenses that are related to compensation and employee benefits, information technology and professional fees.
- (3) Certain expenses have been excluded from 'Corporate expenses' and reflected in 'Transaction costs and other.'

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6. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Reserve for losses and loss adjustment expenses at beginning of period	\$ 30,946	\$ 23,705	\$ 29,369	\$ 22,752
Unpaid losses and loss adjustment expenses recoverable	8,379	7,069	7,821	6,690
Net reserve for losses and loss adjustment expenses at beginning of period	22,567	16,636	21,548	16,062
Net incurred losses and loss adjustment expenses relating to losses occurring in:				
Current year	2,456	1,948	5,240	3,800
Prior years	(153)	(121)	(350)	(245)
Total net incurred losses and loss adjustment expenses	2,303	1,827	4,890	3,555
Net losses and loss adjustment expense reserves of acquired businesses (1)	50	50	50	50
Net foreign exchange (gains) losses and other	400	(10)	593	(94)
Net paid losses and loss adjustment expenses relating to losses occurring in:				
Current year	(424)	(193)	(865)	(285)
Prior years	(1,320)	(927)	(2,640)	(1,905)
Total net paid losses and loss adjustment expenses	(1,744)	(1,120)	(3,505)	(2,190)
Net reserve for losses and loss adjustment expenses at end of period	23,576	17,383	23,576	17,383
Unpaid losses and loss adjustment expenses recoverable	8,513	7,083	8,513	7,083
Reserve for losses and loss adjustment expenses at end of period	\$ 32,089	\$ 24,466	\$ 32,089	\$ 24,466

(1) Activity in the 2025 periods related to the MCE Acquisition (see [note 2](#)). Activity in the 2024 periods related to the acquisition of RMIC Companies, Inc. and its wholly-owned subsidiaries that, together, comprise the run-off mortgage insurance business of Old Republic International Corporation.

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 segment and tail length:

(Favorable) Adverse	Three Months Ended June 30,			Six Months Ended June 30,		
	Short-tailed	Long-tailed	Total	Short-tailed	Long-tailed	Total
2025						
Insurance	\$ (13)	\$ 5	\$ (8)	\$ (28)	\$ 3	\$ (25)
Reinsurance	(75)	(6)	(81)	(202)	2	(200)
Mortgage	(64)	—	(64)	(125)	—	(125)
Total	\$ (152)	\$ (1)	\$ (153)	\$ (355)	\$ 5	\$ (350)
2024						
Insurance	\$ (13)	\$ 8	\$ (5)	\$ (30)	\$ 15	\$ (15)
Reinsurance	(48)	14	(34)	(91)	17	(74)
Mortgage	(82)	—	(82)	(156)	—	(156)
Total	\$ (143)	\$ 22	\$ (121)	\$ (277)	\$ 32	\$ (245)

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2025 Second Quarter

The insurance segment's short-tailed lines included \$7 million of favorable development in travel and accident, primarily from the 2024 accident year (*i.e.*, the year in which a loss occurred). Long-tailed lines included \$14 million of adverse development in programs business, primarily from the 2018 and 2023 accident years.

The reinsurance segment's short-tailed lines included \$60 million of favorable development from property other than property catastrophe business, primarily from the 2023 and 2024 underwriting years (*i.e.*, all premiums and losses attributable to contracts having an inception or renewal date within the given 12 month period). Long-tailed lines included \$6 million of favorable development, primarily from the 2022 to 2023 underwriting years.

The mortgage segment's favorable development was driven by reductions on reserves for delinquent loans associated with the U.S. first lien portfolio from the 2024 accident year, with the credit risk transfer and international businesses also contributing.

2024 Second Quarter

The insurance segment's short-tailed lines included \$20 million of favorable development in surety business, primarily from the 2007 accident year, partially offset by \$15 million of adverse development in property, energy, marine and aviation business, primarily from the 2022 accident year. Long-tailed lines included \$9 million of adverse development in programs business, primarily from the 2022 and 2023 accident years.

The reinsurance segment's short-tailed lines included \$30 million of favorable development related to property other than property catastrophe business, primarily from the 2022 and 2023 underwriting years. Long-tailed lines included \$14 million of adverse development in casualty, primarily from the 2020 and 2021 underwriting years.

The mortgage segment's favorable development was driven by reserve releases associated with the U.S. first lien portfolio from the 2023 accident year, with the credit risk transfer and international businesses also contributing to the favorable development.

Six Months Ended June 30, 2025

The insurance segment's short-tailed lines included \$15 million of favorable development in travel and accident, primarily from the 2023 and 2024 accident years, and \$11 million of favorable development in property, energy, marine and aviation, primarily from the 2024 accident year.

The reinsurance segment's short-tailed lines included \$89 million of favorable development from property other than property catastrophe business and \$86 million of favorable development from property catastrophe, primarily from the 2023 and 2024 underwriting years for both lines.

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

Six Months Ended June 30, 2024

The insurance segment's short-tailed lines included \$25 million of favorable development surety business, primarily from the 2007 and 2022 accident years. Long-tailed lines included \$17 million of adverse development in programs business, primarily from the 2020 to 2023 accident years.

The reinsurance segment's short-tailed lines included \$51 million of favorable development from property other than property catastrophe business, primarily from the 2022 and 2023 underwriting years and \$37 million of favorable development from other specialty business, primarily from the 2021 and 2022 underwriting years. Long-tailed lines included \$17 million of adverse development in casualty, primarily from the 2017 underwriting year.

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

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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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:

	Premium Receivables, Net of Allowance	Allowance for Expected Credit Losses
Three Months Ended June 30, 2025		
Balance at beginning of period	\$ 6,607	\$ 43
Change for provision of expected credit losses (1)		3
Balance at end of period	\$ 7,067	\$ 46
Three Months Ended June 30, 2024		
Balance at beginning of period	\$ 5,765	\$ 32
Change for provision of expected credit losses (1)		4
Balance at end of period	\$ 6,268	\$ 36
Six Months Ended June 30, 2025		
Balance at beginning of year	\$ 5,634	\$ 45
Change for provision of expected credit losses (1)		1
Balance at end of period	\$ 7,067	\$ 46
Six Months Ended June 30, 2024		
Balance at beginning of year	\$ 4,644	\$ 34
Change for provision of expected credit losses (1)		2
Balance at end of period	\$ 6,268	\$ 36

- (1) Amounts deemed uncollectible are written-off in operating expenses. For the 2025 second quarter and 2024 second quarter, amounts written off were \$1 million and nil, respectively. For the six months ended June 30, 2025 and 2024 period, amounts written off were \$1 million and nil, respectively.

Reinsurance Recoverables

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

	Reinsurance Recoverables, Net of Allowance	Allowance for Expected Credit Losses
Three Months Ended June 30, 2025		
Balance at beginning of period	\$ 8,969	\$ 17
Change for provision of expected credit losses		2
Balance at end of period	\$ 9,044	\$ 19
Three Months Ended June 30, 2024		
Balance at beginning of period	\$ 7,509	\$ 16
Change for provision of expected credit losses		4
Balance at end of period	\$ 7,473	\$ 20
Six Months Ended June 30, 2025		
Balance at beginning of year	\$ 8,260	\$ 17
Change for provision of expected credit losses		2
Balance at end of period	\$ 9,044	\$ 19
Six Months Ended June 30, 2024		
Balance at beginning of year	\$ 7,064	\$ 21
Change for provision of expected credit losses		(1)
Balance at end of period	\$ 7,473	\$ 20

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The following table summarizes the Company's reinsurance recoverables on paid and unpaid losses (not including ceded unearned premiums):

	June 30, 2025	December 31, 2024
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses	\$ 9,044	\$ 8,260
% due from carriers with A.M. Best rating of "A-" or better	62.5 %	63.8 %
% due from all other carriers with no A.M. Best rating (1)	37.5 %	36.2 %
Largest balance due from any one carrier as % of total shareholders' equity	7.9 %	7.8 %

- (1) At June 30, 2025 and December 31, 2024 over 95% of such amount 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:

	Contract- holder Receivables, Net of Allowance	Allowance for Expected Credit Losses
Three Months Ended June 30, 2025		
Balance at beginning of period	\$ 2,212	\$ 6
Change for provision of expected credit losses		—
Balance at end of period	\$ 2,280	\$ 6
Three Months Ended June 30, 2024		
Balance at beginning of period	\$ 1,907	\$ 3
Change for provision of expected credit losses		1
Balance at end of period	2,016	\$ 4
Six Months Ended June 30, 2025		
Balance at beginning of year	\$ 2,161	\$ 5
Change for provision of expected credit losses		1
Balance at end of period	\$ 2,280	\$ 6
Six Months Ended June 30, 2024		
Balance at beginning of year	\$ 1,814	\$ 3
Change for provision of expected credit losses		1
Balance at end of period	2,016	\$ 4

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8. 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
June 30, 2025					
Fixed maturities:					
Corporate bonds	\$ 14,429	\$ 273	\$ (218)	\$ (16)	\$ 14,390
U.S. government and government agencies	6,585	38	(48)	—	6,595
Asset backed securities	2,770	18	(20)	(10)	2,782
Non-U.S. government securities	3,149	82	(70)	(2)	3,139
Commercial mortgage backed securities	838	7	(7)	—	838
Residential mortgage backed securities	2,386	24	(24)	—	2,386
Municipal bonds	175	—	(7)	—	182
Total	30,332	442	(394)	(28)	30,312
Short-term investments	2,788	3	(1)	—	2,786
Total	\$ 33,120	\$ 445	\$ (395)	\$ (28)	\$ 33,098
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
Commercial mortgage backed securities	1,058	6	(11)	(1)	1,064
Residential mortgage backed securities	1,079	6	(31)	—	1,104
Municipal bonds	263	—	(16)	—	279
Total	27,035	179	(692)	(22)	27,570
Short-term investments	2,784	2	(2)	—	2,784
Total	\$ 29,819	\$ 181	\$ (694)	\$ (22)	\$ 30,354

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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
June 30, 2025						
Fixed maturities:						
Corporate bonds	\$ 1,944	\$ (83)	\$ 2,043	\$ (135)	\$ 3,987	\$ (218)
U.S. government and government agencies	1,727	(29)	308	(19)	2,035	(48)
Non-U.S. government securities	1,132	(25)	395	(45)	1,527	(70)
Residential mortgage backed securities	158	(3)	175	(21)	333	(24)
Asset backed securities	497	(4)	348	(16)	845	(20)
Commercial mortgage backed securities	276	(2)	188	(5)	464	(7)
Municipal bonds	15	—	147	(7)	162	(7)
Total	5,749	(146)	3,604	(248)	9,353	(394)
Short-term investments	394	(1)	—	—	394	(1)
Total	\$ 6,143	\$ (147)	\$ 3,604	\$ (248)	\$ 9,747	\$ (395)
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)
Residential mortgage backed securities	571	(6)	186	(25)	757	(31)
Asset backed securities	236	(8)	426	(24)	662	(32)
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 June 30, 2025, on a lot level basis, approximately 6,560 security lots out of a total of approximately 23,600 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. At December 31, 2024, on a lot level basis, approximately 9,980 security lots out of a total of approximately 20,930 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.

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.

	June 30, 2025		December 31, 2024	
Maturity	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	\$ 480	\$ 490	\$ 438	\$ 451
Due after one year through five years	17,031	16,947	15,364	15,590
Due after five years through 10 years	6,123	6,168	5,811	6,039
Due after 10 years	704	701	385	401
	24,338	24,306	21,998	22,481
Residential mortgage backed securities	2,386	2,386	1,079	1,104
Commercial mortgage backed securities	838	838	1,058	1,064
Asset backed securities	2,770	2,782	2,900	2,921
Total	\$ 30,332	\$ 30,312	\$ 27,035	\$ 27,570

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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Equity Securities, at Fair Value

At June 30, 2025, the Company held \$1.7 billion of equity securities, at fair value, compared to \$1.7 billion at December 31, 2024. Such holdings include publicly traded common stocks, primarily in the consumer cyclical and non-cyclical, technology, communication and financial sectors, and exchange-traded funds in fixed income, equity and other sectors.

Other Investments, at Fair Value

The following table summarizes the Company's other investments:

	June 30, 2025	December 31, 2024
Other investments	\$ 1,810	\$ 2,135
Fixed maturities	1,009	854
Short term investments	68	70
Equity securities	5	7
Total	\$ 2,892	\$ 3,066

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

	June 30, 2025	December 31, 2024
Investment grade fixed income	\$ 1,029	\$ 1,055
Private equity	252	229
Lending	238	303
Term loan investments	217	430
Credit related funds	72	99
Energy	2	19
Total	\$ 1,810	\$ 2,135

Net Investment Income

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

	June 30,	
	2025	2024
Three Months Ended		
Fixed maturities	\$ 360	\$ 306
Short term investments	24	35
Equity securities	10	10
Other (1)	35	35
Gross investment income	429	386
Investment expenses	(24)	(22)
Net investment income	\$ 405	\$ 364
Six Months Ended		
Fixed maturities	\$ 702	\$ 586
Short term investments	50	64
Equity securities	21	18
Other (1)	63	68
Gross investment income	836	736
Investment expenses	(53)	(45)
Net investment income	\$ 783	\$ 691

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

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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Net Realized Gains (Losses)

Net realized gains (losses), which include changes in the allowance for credit losses on financial assets and net impairment losses recognized in earnings were as follows:

	June 30,	
	2025	2024
Three Months Ended		
Available for sale securities:		
Gross gains on investment sales	\$ 69	\$ 13
Gross losses on investment sales	(56)	(77)
Change in fair value of assets and liabilities accounted for using the fair value option:		
Fixed maturities	20	(4)
Other investments	(11)	(28)
Short-term investments	3	—
Equity securities, at fair value:		
Net realized gains (losses) on sales during the period	7	5
Net unrealized gains (losses) on equity securities still held at reporting date	129	7
Allowance for credit losses:		
Investments related	(8)	4
Underwriting related	(2)	(3)
Derivative instruments (1)	163	1
Other (2)	(85)	204
Net realized gains (losses)	<u>\$ 229</u>	<u>\$ 122</u>
Six Months Ended		
Available for sale securities:		
Gross gains on investment sales	\$ 120	\$ 63
Gross losses on investment sales	(169)	(155)
Change in fair value of assets and liabilities accounted for using the fair value option:		
Fixed maturities	22	(2)
Other investments	2	(30)
Short-term investments	3	—
Equity securities, at fair value:		
Net realized gains (losses) on sales during the period	54	16
Net unrealized gains (losses) on equity securities still held at reporting date	34	89
Allowance for credit losses:		
Investments related	(8)	(2)
Underwriting related	(1)	(2)
Derivative instruments (1)	262	(9)
Other (2)	(87)	221
Net realized gains (losses)	<u>\$ 232</u>	<u>\$ 189</u>

- (1) See [note 10](#) for information on the Company's derivative instruments.
- (2) Amounts in the 2025 periods primarily include losses related to the anticipated sale of certain alternative investments accounted for under the equity method.

Investments Accounted For Using the Equity Method

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

	June 30, 2025	December 31, 2024
Private equity	\$ 2,101	\$ 1,915
Credit related funds	1,637	1,487
Lending	850	616
Real estate	837	869
Fixed income	462	384
Infrastructure	417	425
Equities	215	217
Energy	47	67
Total	<u>\$ 6,566</u>	<u>\$ 5,980</u>

Certain of the Company's other investments 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 that may impact the Company's ability to redeem these investment funds are gates and lockups. A gate is a suspension of redemptions that 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 and 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.

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 has determined that it is not required to consolidate these investments because it is not the primary beneficiary of 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.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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The following table summarizes investments in limited partnership interests where the Company has a variable interest by balance sheet line item:

	June 30, 2025	December 31, 2024
Investments accounted for using the equity method (1)	\$ 6,566	\$ 5,980
Investments accounted for using the fair value option (2)	32	48
Total	\$ 6,598	\$ 6,028

- (1) Aggregate unfunded commitments were \$4.2 billion at June 30, 2025, compared to \$4.3 billion at December 31, 2024.
- (2) Aggregate unfunded commitments were \$22 million at June 30, 2025, compared to \$21 million at December 31, 2024.

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

Income from investment funds accounted for using the equity method for the 2025 second quarter was \$162 million, compared to \$167 million for the 2024 second quarter and an income of \$215 million for the six months ended June 30, 2025, compared to income of \$266 million for the six months ended June 30, 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). Such investments are generally recorded on a one to three month lag based on the availability of reports from the investment funds.

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 SA ("Coface"), Greysbridge Holdings Ltd. ("Greysbridge"), and Premia Holdings Ltd. Investments in Coface and Premia Holdings Ltd. are generally recorded on a three month lag, while the Company's investment in Greysbridge is not recorded on a lag.

As of June 30, 2025, the Company owned approximately 29.9% of the issued shares of Coface, or 30% excluding treasury shares, with a carrying value of \$654 million, compared to \$592 million at December 31, 2024.

As of June 30, 2025, the Company owned 40% of Greysbridge with a carrying value of \$582 million, compared to \$523 million at December 31, 2024.

Income from operating affiliates for the 2025 second quarter was \$40 million, compared to \$45 million for the 2024 second quarter and income of \$57 million for the six months ended June 30, 2025, compared to income of \$100 million for six months ended June 30, 2024.

See [note 16](#) for information on Company's transactions with related parties.

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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:

	Structured Securities (1)	Corporate Bonds	Non-U.S. Government Securities	Total
Three Months Ended June 30, 2025				
Balance at beginning of period	\$ 8	\$ 12	\$ 1	\$ 21
Additions for current-period provision for expected credit losses	—	2	—	2
Additions (reductions) for previously recognized expected credit losses	2	4	1	7
Reductions due to disposals	—	(2)	—	(2)
Balance at end of period	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 2</u>	<u>\$ 28</u>
Three Months Ended June 30, 2024				
Balance at beginning of period	\$ 7	\$ 24	\$ 1	\$ 32
Additions for current-period provision for expected credit losses	—	—	—	—
Additions (reductions) for previously recognized expected credit losses	3	(6)	—	(3)
Reductions due to disposals	—	(2)	—	(2)
Balance at end of period	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 1</u>	<u>\$ 27</u>
Six Months Ended June 30, 2025				
Balance at beginning of year	\$ 9	\$ 12	\$ 1	\$ 22
Additions for current-period provision for expected credit losses	3	2	—	5
Additions (reductions) for previously recognized expected credit losses	(2)	5	1	4
Reductions due to disposals	—	(3)	—	(3)
Balance at end of period	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 2</u>	<u>\$ 28</u>
Six Months Ended June 30, 2024				
Balance at beginning of year	\$ 7	\$ 20	\$ 1	\$ 28
Additions for current-period provision for expected credit losses	—	—	—	—
Additions (reductions) for previously recognized expected credit losses	3	(1)	—	2
Reductions due to disposals	—	(3)	—	(3)
Balance at end of period	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 1</u>	<u>\$ 27</u>

(1) Includes asset backed securities, residential 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. See note 18, "Commitments and Contingencies," of the notes to consolidated financial statements in the Company's 2024 Form 10-K.

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

	June 30, 2025	December 31, 2024
Assets used for collateral or guarantees:		
Affiliated transactions	\$ 5,229	\$ 4,730
Third party agreements	6,512	5,999
Deposits with U.S. regulatory authorities	955	882
Other (1)	1,515	1,437
Total restricted assets	<u>\$ 14,211</u>	<u>\$ 13,048</u>

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

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Reconciliation of Cash and Restricted Cash

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

	June 30, 2025	December 31, 2024
Cash	\$ 983	\$ 979
Restricted cash (included in 'other assets')	825	781
Cash and restricted cash	<u>\$ 1,808</u>	<u>\$ 1,760</u>

9. 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 measurement

The 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 average number of 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. The Company did not adjust any of the prices obtained from the independent pricing sources at June 30, 2025.

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. Where quotes are unavailable, fair value is determined by the Investment Manager using quantitative and qualitative assessments such as internally modeled values. Of the \$38.2 billion of financial assets and liabilities measured at fair value at June 30, 2025, approximately \$257 million, or 0.7%, were priced using non-binding broker-dealer quotes or modeled valuations. Of the \$35.0 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 or modeled valuations.

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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 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 a low level of transparency on the inputs used in the pricing process.

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.

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. 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.

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. The pricing services also review prepayment speeds and other indicators, when applicable. 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

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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 asset-backed securities are observable market inputs, the fair value of these securities are classified within Level 2.

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. Certain equity securities are included in Level 2 of the valuation hierarchy as the significant inputs used in the pricing process for such securities are observable market inputs. Other equity 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.

Other investments

The Company's other investments 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. The fair values for certain of the Company's other investments are determined using net asset values as advised by external fund managers. The net asset value is based on the fund manager's valuation of the underlying holdings in accordance with the fund's governing documents. 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. 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 the 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.

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The following table presents the Company's financial assets and liabilities measured at fair value by level at June 30, 2025:

		Estimated Fair Value Measurements 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)
Assets measured at fair value:				
Available for sale securities:				
Fixed maturities:				
Corporate bonds	\$ 14,429	\$ —	\$ 14,284	\$ 145
U.S. government and government agencies	6,585	6,585	—	—
Asset backed securities	2,770	—	2,753	17
Non-U.S. government securities	3,149	—	3,149	—
Commercial mortgage backed securities	838	—	838	—
Residential mortgage backed securities	2,386	—	2,386	—
Municipal bonds	175	—	175	—
Total	30,332	6,585	23,585	162
Short-term investments	2,788	2,735	53	—
Equity securities, at fair value	1,715	1,680	27	8
Derivative instruments (2)	271	—	271	—
Residential mortgage loans	27	—	27	—
Fair value option:				
Corporate bonds	988	—	988	—
Non-U.S. government securities	15	—	15	—
U.S. government and government agencies	6	6	—	—
Short-term investments	68	6	17	45
Equity securities	5	—	—	5
Other investments	423	—	215	208
Other investments measured at net asset value (1)	1,387			
Total	2,892	12	1,235	258
Total assets measured at fair value	\$ 38,025	\$ 11,012	\$ 25,198	\$ 428
Liabilities measured at fair value:				
Other liabilities	\$ (20)	\$ —	\$ —	\$ (20)
Derivative instruments (2)	(159)	—	(159)	—
Total liabilities measured at fair value	\$ (179)	\$ —	\$ (159)	\$ (20)

(1) 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.

(2) See [note 10](#).

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

		Estimated Fair Value Measurements 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)
Assets measured at fair value:				
Available for sale securities:				
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	—
Commercial mortgage backed securities	1,058	—	1,058	—
Residential mortgage backed securities	1,079	—	1,079	—
Municipal bonds	263	—	263	—
Total	27,035	6,709	20,229	97
Short-term investments	2,784	2,704	80	—
Equity securities, at fair value	1,675	1,640	28	7
Derivative instruments (2)	206	—	206	—
Residential mortgage loans	15	—	15	—
Fair value option:				
Corporate bonds	832	—	832	—
Non-U.S. government securities	8	—	8	—
Asset backed securities	—	—	—	—
U.S. government and government agencies	14	14	—	—
Short-term investments	70	—	37	33
Equity securities	6	2	—	4
Other investments	752	—	563	189
Other investments measured at net asset value (1)	1,383			
Total	3,065	16	1,440	226
Total assets measured at fair value	\$ 34,780	\$ 11,069	\$ 21,998	\$ 330
Liabilities measured at fair value:				
Other liabilities	\$ (73)	\$ —	\$ —	\$ (73)
Derivative instruments (2)	(115)	—	(115)	—
Total liabilities measured at fair value	\$ (188)	\$ —	\$ (115)	\$ (73)

(1) 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.

(2) See [note 10](#).

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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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:

	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
Three Months Ended June 30, 2025								
Balance at beginning of period	\$ —	\$ 150	\$ —	\$ 206	\$ 29	\$ 4	\$ 7	\$ (34)
Total gains or (losses) (realized/unrealized)								
Included in earnings (2)	—	—	—	—	—	1	—	—
Included in other comprehensive income	—	—	—	—	—	—	—	(2)
Purchases, issuances, sales and settlements								
Purchases	14	—	—	44	18	—	1	—
Issuances	—	—	—	—	—	—	—	—
Sales	—	—	—	(3)	—	—	—	—
Settlements	(2)	(5)	—	(39)	(2)	—	—	16
Transfers in and/or out of Level 3	5	—	—	—	—	—	—	—
Balance at end of period	\$ 17	\$ 145	\$ —	\$ 208	\$ 45	\$ 5	\$ 8	\$ (20)
Three Months Ended June 30, 2024								
Balance at beginning of period	\$ —	\$ 160	\$ 97	\$ 126	\$ 17	\$ 4	\$ 5	\$ (22)
Total gains or (losses) (realized/unrealized)								
Included in earnings (2)	—	—	—	—	—	—	—	—
Included in other comprehensive income	—	—	—	—	—	—	—	—
Purchases, issuances, sales and settlements								
Purchases	—	—	—	30	3	—	1	—
Issuances	—	—	—	—	—	—	—	(13)
Sales	—	—	—	(2)	—	—	—	—
Settlements	—	—	—	(10)	(6)	—	—	—
Transfers in and/or out of Level 3	—	—	—	—	—	—	—	—
Balance at end of period	\$ —	\$ 160	\$ 97	\$ 144	\$ 14	\$ 4	\$ 6	\$ (35)
Six Months Ended June 30, 2025								
Balance at beginning of year	\$ —	\$ 97	\$ —	\$ 189	\$ 33	\$ 4	\$ 7	\$ (73)
Total gains or (losses) (realized/unrealized)								
Included in earnings (2)	—	—	—	—	—	1	—	2
Included in other comprehensive income	—	—	—	—	—	—	—	(2)
Purchases, issuances, sales and settlements								
Purchases	14	—	—	96	24	—	1	—
Issuances	—	—	—	—	—	—	—	—
Sales	—	—	—	(3)	—	—	—	—
Settlements	(2)	(22)	—	(74)	(12)	—	—	53
Transfers in and/or out of Level 3	5	70	—	—	—	—	—	—
Balance at end of period	\$ 17	\$ 145	\$ —	\$ 208	\$ 45	\$ 5	\$ 8	\$ (20)
Six Months Ended June 30, 2024								
Balance at beginning of year	\$ —	\$ 147	\$ 84	\$ 106	\$ 10	\$ 4	\$ 5	\$ (22)
Total gains or (losses) (realized/unrealized)								
Included in earnings (2)	—	—	—	(4)	—	—	—	(1)
Included in other comprehensive income	—	2	1	—	—	—	—	1
Purchases, issuances, sales and settlements								
Purchases	—	98	12	60	10	—	1	—
Issuances	—	—	—	—	—	—	—	(13)
Sales	—	—	—	(2)	—	—	—	—
Settlements	—	(87)	—	(16)	(6)	—	—	—
Transfers in and/or out of Level 3	—	—	—	—	—	—	—	—
Balance at end of period	\$ —	\$ 160	\$ 97	\$ 144	\$ 14	\$ 4	\$ 6	\$ (35)

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

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

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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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 June 30, 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 June 30, 2025, the Company's senior notes were carried at their cost, net of debt issuance costs, of \$2.7 billion and had a fair value of \$2.5 billion. At December 31, 2024, the Company's senior notes were carried at their cost, net of debt issuance costs, of \$2.7 billion and had a fair value of \$2.4 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 values of the senior notes are classified within Level 2.

10. 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 notes, 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.

From time to time, the Company purchases to-be-announced mortgage backed securities ("TBAs") as part of its investment strategy. TBAs represent commitments to purchase a future issuance of agency mortgage backed securities. For the period between purchase of a TBA and issuance of the underlying security, the Company's position is accounted for as a derivative. The Company purchases TBAs in both long and short positions to enhance investment performance and as part of its overall investment strategy.

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)	
June 30, 2025			
Futures contracts	\$ 110	\$ (11)	\$ 8,208
Foreign currency forward contracts	92	(62)	2,123
Other (3)	69	(86)	2,073
Total	<u>\$ 271</u>	<u>\$ (159)</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 that were designated as hedging instruments at June 30, 2025 or December 31, 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. Contractual close-out netting reduces derivative credit exposure from gross to net exposure.

At June 30, 2025, asset derivatives and liability derivatives of \$271 million and \$159 million, respectively, were subject to a master netting agreement, compared to \$206 million and \$115 million, respectively, at December 31, 2024.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
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Realized and unrealized contract gains or 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:	June 30,	
	2025	2024
Three Months Ended		
Net realized gains (losses):		
Futures contracts	\$ 93	\$ (3)
Foreign currency forward contracts	53	2
Other (1)	17	2
Total	<u>\$ 163</u>	<u>\$ 1</u>
Six Months Ended		
Net realized gains (losses):		
Futures contracts	\$ 139	\$ (17)
Foreign currency forward contracts	83	1
Other (1)	40	7
Total	<u>\$ 262</u>	<u>\$ (9)</u>

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

11. Commitments and Contingencies

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 \$4.3 billion at June 30, 2025, compared to \$4.4 billion at December 31, 2024.

Interest Paid

Interest paid on the Company's senior notes and other borrowings was \$64 million for the six months ended June 30, 2025, compared to \$63 million for the 2024 period.

12. Variable Interest Entities

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)	June 30, 2025	Coverage Remaining from Reinsurers (1)	December 31, 2024
	Total VIE Assets		Total VIE Assets
2021-3 Ltd. (Sep-21)	205	19	363
2022-1 Ltd. (Jan-22)	59	14	202
2022-2 Ltd. (Sep-22)	53	100	180
2023-1 Ltd. (Oct-23)	174	44	186
2024-1 Ltd. (Aug-24)	163	41	163
Total	<u>\$ 654</u>	<u>\$ 218</u>	<u>\$ 1,094</u>

(1) Coverage from a separate panel of reinsurers remaining at June 30, 2025.

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

13. Other Comprehensive Income (Loss)

The following tables present details about amounts reclassified from accumulated other comprehensive income and the tax effects allocated to each component of other comprehensive income (loss):

Details About AOCI Components	Consolidated Statement of Income Line Item That Includes Reclassification	Amounts Reclassified from AOCI			
		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2025	2024	2025	2024
Unrealized appreciation (decline) on available-for-sale investments					
	Net realized gains (losses)	\$ 14	\$ (64)	\$ (49)	\$ (92)
	Provision for credit losses	(8)	4	(8)	(2)
	Total before tax	6	(60)	(57)	(94)
	Income tax (expense) benefit	1	7	12	12
	Net of tax	\$ 7	\$ (53)	\$ (45)	\$ (82)
		Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount	
Three Months Ended June 30, 2025					
Unrealized appreciation (decline) in value of investments:					
	Unrealized holding gains (losses) arising during period	\$ 304	\$ 1	\$ 303	
	Less reclassification of net realized gains (losses) included in net income	6	(1)	7	
	Foreign currency translation adjustments	62	(2)	64	
	Other comprehensive income (loss)	\$ 360	\$ —	\$ 360	
Three Months Ended June 30, 2024					
Unrealized appreciation (decline) in value of investments:					
	Unrealized holding gains (losses) arising during period	\$ (36)	\$ (10)	\$ (26)	
	Less reclassification of net realized gains (losses) included in net income	(60)	(7)	(53)	
	Foreign currency translation adjustments	(16)	—	(16)	
	Other comprehensive income (loss)	\$ 8	\$ (3)	\$ 11	
Six Months Ended June 30, 2025					
Unrealized appreciation (decline) in value of investments:					
	Unrealized holding gains (losses) arising during period	\$ 549	\$ 12	\$ 537	
	Less reclassification of net realized gains (losses) included in net income	(57)	(12)	(45)	
	Foreign currency translation adjustments	88	(2)	90	
	Other comprehensive income (loss)	\$ 694	\$ 22	\$ 672	
Six Months Ended June 30, 2024					
Unrealized appreciation (decline) in value of investments:					
	Unrealized holding gains (losses) arising during period	\$ (187)	\$ (20)	\$ (167)	
	Less reclassification of net realized gains (losses) included in net income	(94)	(12)	(82)	
	Foreign currency translation adjustments	(49)	—	(49)	
	Other comprehensive income (loss)	\$ (142)	\$ (8)	\$ (134)	

ARCH CAPITAL GROUP LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

14. Income Taxes

The Company's income tax provision on income before income taxes, including income (loss) from operating affiliates, resulted in an effective tax rate of 15.6% for the six months ended June 30, 2025, compared to 7.7% for the six months ended June 30, 2024. The year-over-year increase is primarily attributed to the Government of Bermuda enacting the Corporate Income Tax Act 2023, which established a 15% corporate income tax effective January 1, 2025. The Company's effective tax rate, which is based upon the expected annual effective tax rate, may fluctuate from period to period based on the relative mix of income or loss reported by jurisdiction and the varying tax rates in each jurisdiction.

The Company had a net deferred tax asset of \$1.5 billion at June 30, 2025, compared to a net deferred tax asset of \$1.6 billion at December 31, 2024. In addition, the Company paid \$149 million of income taxes for the six months ended June 30, 2025, compared to \$145 million of income taxes paid for the six months ended June 30, 2024.

15. 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 June 30, 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.

16. Transactions with Related Parties

Premia Reinsurance Ltd. is a multi-line Bermuda reinsurance company (and its affiliates together with Premia Holdings Ltd., "Premia"). The Company has entered into certain reinsurance transactions with Premia. During the six months ended June 30, 2025 and 2024, the Company did not enter into any new reinsurance transactions with Premia. At June 30, 2025, the Company recorded a funds held asset from Premia of \$127 million, compared to \$137 million at December 31, 2024.

Somers Group Holdings Ltd. and its wholly owned subsidiaries (collectively, "Somers") are wholly owned by Greysbridge. For the six months ended June 30, 2025, the Company's net premiums written was reduced by \$419 million, compared to \$428 million for the six months ended June 30, 2024, as a result of certain reinsurance transactions with Somers. In addition, Somers paid certain acquisition costs and administrative fees to the Company. At June 30, 2025, the Company recorded a reinsurance recoverable on unpaid and paid losses from Somers of \$1.8 billion and a reinsurance balance payable to Somers of \$602 million, compared to \$1.6 billion and \$489 million, respectively, at December 31, 2024.

Under the terms of the Greysbridge equity financing, beginning January 1, 2024, the Company has a call right (but not the obligation) and Warburg and Kelso each have a put right (but not the obligation) to buy/sell a certain amount of their initial shares annually at the current year-end tangible book value per share of Greysbridge. In 2024, Warburg and Kelso both delivered a put option notice to sell a certain amount of their initial shares. This transaction, which will involve third-party purchasers of such shares, is expected to close in the 2025 calendar year, subject to any required regulatory approvals and other closing conditions. In association with the put option notice at June 30, 2025, the Company's balance sheet reflected \$290 million in both other assets and other liabilities.

17. Subsequent Event

Share Repurchases

From July 1 to August 5, 2025, the Company repurchased approximately 2.8 million common shares for an aggregate purchase price of \$244 million. At August 5, 2025, approximately \$393 million of repurchases were available under the Company's share repurchase program.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations. This should be read in conjunction with our consolidated financial statements included in Item 1 of this report and also our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2024 (“2024 Form 10-K”). In addition, readers should review “Risk Factors” set forth in Item 1A of Part I of our 2024 Form 10-K and [“ITEM 1A—Risk Factors”](#) of this Form 10-Q. All amounts are in millions, except per share amounts, unless otherwise noted.

Arch Capital Group Ltd. (“Arch Capital” and, together with its subsidiaries, “Arch”, “the Company”, “we”, “our” or “us”) is a publicly listed Bermuda exempted company with approximately \$25.8 billion in capital at June 30, 2025 and, through operations in Bermuda, the United States, Europe, Canada and Australia, writes insurance, reinsurance and mortgage insurance on a worldwide basis.

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CURRENT OUTLOOK

We reported solid results for the 2025 second quarter, with an annualized net income return on average common equity and operating return on average common equity of 22.9% and 18.2%, respectively. See [“Comment on Non-GAAP Financial Measures.”](#) Book value per share grew 7.3% in the 2025 the second quarter, reflecting our disciplined underwriting and capital management. We continue to execute our cycle management strategy by actively allocating capital to the segments with the best risk-adjusted returns, while retaining the flexibility to invest in our platform when we find attractive opportunities. This approach, combined with a diversified global platform and strong distribution relationships, allows us to adapt dynamically to shifting market conditions. We focus on practicing disciplined underwriting that builds a meaningful margin of safety into pricing, take a long-term view of risk and a prudent approach to reserving.

Our core objective to deliver long-term value for our shareholders remains unchanged. We will continue to execute on the key pillars of our strategy which are: to build a diversified mix of businesses; to actively manage the underwriting cycle; to remain prudent stewards of the capital entrusted to us by our shareholders; and to be dynamic managers of a data-driven enterprise with a culture that attracts best-in-class talent.

Overall, property and casualty market conditions remain largely consistent with the 2025 first quarter. Some sectors are seeing increased price competition while others continue to experience rate improvements. We believe the property and casualty market still presents meaningful opportunities for disciplined underwriters to generate attractive risk-adjusted returns on capital.

Our insurance segment reported \$129 million of underwriting income for the 2025 second quarter, with net premium written surpassing \$2 billion, which is an increase of 30.7% from the 2024 second quarter. Growth in net premiums written primarily resulted from the U.S. MidCorp and Entertainment Insurance businesses acquired from Allianz on August 1, 2024 (“MCE Acquisition”). The integration of the MCE Acquisition is progressing well, and we remain excited about the increased capabilities this team brings to our insurance platform. Organic growth outside of the MCE Acquisition was modest, and growing our presence in middle market remains central to our strategy in North America. We saw selective growth in casualty lines, particularly in alternative market, E&S casualty and large account casualty, where pricing continued to outpace loss trends. However, competitive pressure persists in E&S property, excess D&O and cyber. While pricing in excess D&O and cyber appears to be stabilizing, we are maintaining a cautious stance, and prioritizing margin over volume in

these lines. Internationally, our Lloyd’s and London market businesses are experiencing increased, but rational, competition. Our long-term investment in establishing a leadership position at Lloyd’s continues to yield strong results reflected in favorable signings and our ability to attract top-tier underwriting talent.

Our reinsurance segment contributed \$451 million of underwriting income in the 2025 second quarter, with over \$2 billion of net premiums written. We are growing selectively and focusing on areas where margins are attractive. We anticipate continued selective growth in quota share arrangements in casualty lines and are willing to lean in—partnering with underwriting teams with strong expertise in complex liability risks. We also expanded our property catastrophe writings, primarily in Florida, where we saw attractive risk-adjusted returns and increased demand from clients for additional limits. Specialty lines remained a strategic focus, and our teams found several new opportunities this quarter. That said, our property other than property catastrophe excess of loss portfolio contracted, as cedants retained more risk and margins on certain portions of the portfolio fell below our target. We were generally pleased with the state of the mid-year catastrophe excess of loss renewals. While pricing was slightly down, margins remain attractive with primary insurers maintaining high retentions.

Our mortgage segment continued to deliver a steady level of earnings for our shareholders, generating \$238 million of underwriting income in the 2025 second quarter, due to the strength of our in-force portfolio. While new originations were tempered by relatively high mortgage interest rates, underlying fundamentals remained strong and our U.S. market share was stable as industry pricing discipline held. The persistency of our in force U.S. primary mortgage insurance portfolio remained a healthy 81.9% and our delinquency rate remained low. While economic uncertainty could create headwinds, we still expect the mortgage segment to continue generating attractive underwriting income given the high credit quality and embedded equity of our in-force portfolio.

FINANCIAL MEASURES

Management uses the following three key financial indicators in evaluating our performance and measuring the overall growth in value generated for Arch Capital's common shareholders:

Book Value per Share

Book value per share represents total common shareholders' equity available to Arch divided by the number of common shares outstanding. Management uses growth in book value per share as a key measure of the value generated for our common shareholders each period and believes that book value per share is the key driver of Arch Capital's share price over time. Book value per share is impacted by, among other factors, our underwriting results, investment returns and share repurchase activity, which has an accretive or dilutive impact on book value per share depending on the purchase price. Book value per share was \$59.17 at June 30, 2025, compared to \$55.15 at March 31, 2025, and \$52.75 at June 30, 2024. The 7.3% increase in book value per share for the 2025 second quarter primarily reflected strong underwriting and investment returns.

Operating Return on Average Common Equity

Operating return on average common equity ("Operating ROAE") represents annualized after-tax operating income available to Arch common shareholders divided by the average of beginning and ending common shareholders' equity available to Arch during the period. After-tax operating income available to Arch common shareholders, a non-GAAP financial measure as defined in Regulation G, represents net income available to Arch common shareholders, excluding net realized gains or losses (which includes realized and unrealized changes in the fair value of equity securities and assets accounted for using the fair value option, realized and unrealized gains or losses on derivative instruments, changes in the allowance for credit losses on financial assets and gains or losses realized from the acquisition or disposition of subsidiaries), equity in net income or loss of investments accounted for using the equity method, net foreign exchange gains or losses, transaction costs and other and income taxes. Management uses Operating ROAE as a key measure of the return generated to common shareholders. See ["Comment on Non-GAAP Financial Measures."](#)

Our annualized net income return on average common equity was 22.9% for the 2025 second quarter, compared to 26.3% for the 2024 second quarter, and 17.0% for the six months ended June 30, 2025, compared to 25.4% for the 2024 period. Our Operating ROAE was 18.2% for the 2025 second quarter, compared to 20.5% for the 2024 second quarter and 14.8% for the six months ended June 30, 2025, compared to 20.5% for the 2024 period. Returns for 2025 reflected strong underwriting and investment returns.

Total Return on Investments

Total return on investments, a non-GAAP financial measure as defined in Regulation G, includes investment income, equity in net income or loss of investments accounted for using the equity method, net realized gains or losses attributable to the investment portfolio and the change in unrealized gains or losses generated by Arch's investment portfolio. Total return is calculated on a pre-tax basis and before investment expenses and reflects the effect of financial market conditions along with foreign currency fluctuations. In addition, total return incorporates the timing of investment returns during the periods. The following table summarizes our total return compared to the benchmark return against which we measured our portfolio during the periods. See ["Comment on Non-GAAP Financial Measures."](#)

	Arch Portfolio	Benchmark Return
Pre-tax total return (before investment expenses):		
2025 Second Quarter	3.09 %	3.26 %
2024 Second Quarter	1.33 %	1.22 %
Six Months Ended June 30, 2025	5.17 %	5.37 %
Six Months Ended June 30, 2024	2.14 %	2.07 %

Total return for the 2025 periods reflected the effects of lower yields on U.S. Government bonds and slightly underperformed their benchmark returns, primarily due to the anticipated sale of certain alternative investments accounted for using the equity method. We continue to maintain a relatively short duration on our fixed income portfolio of 3.48 years at June 30, 2025, compared to 3.31 years at December 31, 2024.

The benchmark return index is a customized combination of indices intended to approximate a target portfolio by asset mix and average credit quality with a fixed income component matching the approximate estimated duration and currency mix of our insurance and reinsurance liabilities. It is recalibrated annually. Although the estimated fixed income duration and average credit quality of this index will move as the duration and rating of its constituent securities change, generally we do not adjust the composition of the benchmark return index during the year except to incorporate changes to the mix of liability currencies and

durations noted above. The benchmark return index should not be interpreted as expressing a preference for or aversion to any particular sector or sector weight. At June 30, 2025, the fixed income portion of the benchmark had an average credit quality of “A1” by Moody’s and an estimated fixed income duration of 3.24 years.

The benchmark return index included weightings to the following indices:

	%
ICE BofA 1-10 Year U.S. Corporate Index	26.70
Yield on 3-5 Year U.S. Treasury Index plus 6%	17.00
ICE BofA 1-10 Year U.S. Treasury Index	15.00
ICE BofA 0-3 Month U.S. Treasury Index	3.00
JPM CLOIE Investment Grade	6.00
ICE BofA 1-5 Year U.K. Gilt Index	5.25
ICE BofA U.S. High Yield Constrained Index	5.00
ICE BofA U.S. ABS & CMBS Index	4.70
S&P 500 Total Return Index	4.50
ICE BofA U.S. Mortgage Backed Securities Index	3.50
ICE BofA German Government 1-5 Year Index	3.25
ICE BofA German Government 5-7 Year Index	0.60
ICE BofA 1-5 Year Canada Government Index	2.60
ICE BofA 15+ Year Canada Government Index	0.30
ICE BofA 1-5 Year Australia Government Index	1.90
ICE BofA 5-10 Year Australia Government Index	0.45
ICE BofA 1-5 Year Japan Government Index	0.25
Total	100.00%

COMMENT ON NON-GAAP FINANCIAL MEASURES

Throughout this filing, we present our operations in the way we believe will be the most meaningful and useful to investors, analysts, rating agencies and others who use our financial information in evaluating the performance of our company. This presentation includes the use of after-tax operating income available to Arch common shareholders, which is defined as net income available to Arch common shareholders, excluding net realized gains or losses (which includes realized and unrealized changes in the fair value of equity securities and assets accounted for using the fair value option, realized and unrealized gains or losses on derivative instruments, changes in the allowance for credit losses on financial assets and gains or losses realized from the acquisition or disposition of subsidiaries), equity in net income or loss of investments accounted for using the equity method, net foreign exchange gains or losses, transaction costs and other, income taxes, and the use of annualized operating return on average common equity. The presentation of after-tax operating income available to Arch common shareholders and annualized operating return on average common equity are non-GAAP financial measures as defined in Regulation G. The reconciliation of such measures

to net income available to Arch common shareholders and annualized net income return on average common equity (the most directly comparable GAAP financial measures) in accordance with Regulation G is included under “Results of Operations” below.

We believe that net realized gains or losses, equity in net income or loss of investments accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other in any particular period are not indicative of the performance of, or trends in, our business. Although net realized gains or losses, equity in net income or loss of investments accounted for using the equity method and net foreign exchange gains or losses are an integral part of our operations, the decision to realize these items, are independent of the insurance underwriting process and result, in large part, from general economic and financial market conditions. Furthermore, certain users of our financial information believe that, for many companies, the timing of the realization of investment gains or losses is largely opportunistic. In addition, changes in the allowance for credit losses and net impairment losses recognized in earnings on our investments represent other-than-temporary declines in expected recovery values on securities without actual realization. Furthermore, we exclude net realized gains or losses from the acquisition or disposition of subsidiaries, due to their non-recurring nature, such items are not indicative of the performance of, or trends in, our business performance.

The use of the equity method on certain of our investments funds that invest in fixed maturity securities is driven by the ownership structure of such funds (either limited partnerships or limited liability companies). In applying the equity method, these investments are initially recorded at cost and are subsequently adjusted based on our 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). This method of accounting is different from the way in which we account for our other investments; and, the timing of the recognition of equity in net income or loss of investments accounted for using the equity method may differ from gains or losses in the future upon sale or maturity of such investments.

Transaction costs and other include integration, advisory, financing, legal, severance, incentive compensation and all other transaction costs directly related to acquisitions. We believe that transaction costs and other, due to their nonrecurring nature, are not indicative of the performance of, or trends in, our business performance.

We believe that showing net income available to Arch common shareholders exclusive of the items referred to above reflects the underlying fundamentals of our business since we evaluate the performance of and manage our business to produce an underwriting profit. In addition to

presenting the net income available to Arch common shareholders, we believe that this presentation enables investors and other users of our financial information to analyze our performance in a manner similar to how management analyzes performance. We also believe that this measure follows industry practice and, therefore, allows the users of financial information to compare our performance with our industry peer group. We believe that the equity analysts and certain rating agencies that follow us and the insurance industry as a whole generally exclude these items from their analyses for the same reasons.

Our segment information includes the presentation of consolidated underwriting income or loss. Such measures represent the pre-tax profitability of our underwriting operations and include net premiums earned plus other underwriting income, less losses and loss adjustment expenses, acquisition expenses and other operating expenses. Other operating expenses include those operating expenses that are incremental and/or directly attributable to our individual underwriting operations. Underwriting income or loss does not incorporate certain income and expense items which are included in corporate. While these measures are presented in [note 5, "Segment Information,"](#) to our consolidated financial statements, they are considered non-GAAP financial measures when presented elsewhere on a consolidated basis. The reconciliations of underwriting income or loss to income before income taxes (the most directly comparable GAAP financial measure) on a consolidated basis, in accordance with Regulation G, is shown in [note 5, "Segment Information"](#) to our consolidated financial statements.

We measure segment performance for our three underwriting segments based on underwriting income or loss. We do not manage our assets by underwriting segment, with the exception of goodwill and intangible assets, and, accordingly, investment income, income from operating affiliates and other non-underwriting related items are not allocated to each underwriting segment.

Our presentation of segment information includes the use of a current year loss ratio which excludes favorable or adverse development in prior year loss reserves. This ratio is a non-GAAP financial measure as defined in Regulation G. The reconciliation of such measure to the loss ratio (the most directly comparable GAAP financial measure) in accordance with Regulation G is shown on the individual segment pages. Management utilizes the current year loss ratio in its analysis of the underwriting performance of each of our underwriting segments. Effective in the 2025 first quarter, the 'Other operating expense ratio' includes 'Other underwriting income.'

Total return on investments includes investment income, equity in net income or loss of investments accounted for using the equity method, net realized gains or losses (excluding changes in the allowance for credit losses on non-investment related financial assets) and the change in unrealized gains or losses generated by Arch's investment portfolio. Total return is calculated on a pre-tax basis and before investment expenses, and reflects the effect of financial market conditions along with foreign currency fluctuations. In addition, total return incorporates the timing of investment returns during the periods. There is no directly comparable GAAP financial measure for total return. Management uses total return on investments as a key measure of the return generated to Arch common shareholders on the capital held in the business, and compares the return generated by our investment portfolio against benchmark returns which we measured our portfolio against during the periods.

RESULTS OF OPERATIONS

The following table summarizes our consolidated financial data, including a reconciliation of net income or loss available to Arch common shareholders to after-tax operating income or loss available to Arch common shareholders. See [“Comment on Non-GAAP Financial Measures.”](#)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income available to Arch common shareholders	\$ 1,227	\$ 1,259	\$ 1,791	\$ 2,369
Net realized (gains) losses (1)	(229)	(122)	(232)	(189)
Equity in net (income) loss of investments accounted for using the equity method	(162)	(167)	(215)	(266)
Net foreign exchange (gains) losses	88	(1)	115	(32)
Transaction costs and other	18	18	28	25
Income tax expense (benefit) (2)	37	(6)	79	7
After-tax operating income available to Arch common shareholders	\$ 979	\$ 981	\$ 1,566	\$ 1,914
Beginning common shareholders' equity	\$ 20,715	\$ 18,525	\$ 19,990	\$ 17,523
Ending common shareholders' equity	22,211	19,835	22,211	19,835
Average common shareholders' equity	\$ 21,463	\$ 19,180	\$ 21,101	\$ 18,679
Annualized net income return on average common equity %	22.9	26.3	17.0	25.4
Annualized operating return on average common equity %	18.2	20.5	14.8	20.5

- (1) Net realized gains or losses include realized and unrealized changes in the fair value of equity securities and assets accounted for using the fair value option, realized and unrealized gains or losses on derivative instruments, changes in the allowance for credit losses on financial assets and gains or losses realized from the acquisition or disposition of subsidiaries.
- (2) Income tax expense on net realized gains or losses, equity in net income or loss of investments accounted for using the equity method, net foreign exchange gains or losses and transaction costs and other reflects the relative mix reported by jurisdiction and the varying tax rates in each jurisdiction.

Segment Information

We classify our businesses into three underwriting segments: insurance, reinsurance and mortgage. Our insurance, reinsurance and mortgage segments each have managers who are responsible for the overall profitability of their respective segments and who are directly accountable to our chief operating decision makers. The Chief Executive Officer and the Chief Financial Officer and Treasurer are the Company's chief operating decision makers. They do not assess performance, measure return on equity or make resource allocation decisions on a line of business basis. Management measures segment performance for our three underwriting segments based on underwriting income or loss. We do not manage our assets by underwriting segment, with the exception of goodwill and intangible assets, and accordingly, investment income is not allocated to each underwriting segment.

We determined our reportable segments using the management approach described in accounting guidance regarding disclosures about segments of an enterprise and related information. The accounting policies of the segments are the same as those used for the preparation of our consolidated financial statements. Intersegment business is allocated to the segment accountable for the underwriting results.

Insurance Segment

The Company's insurance segment primarily consists of commercial insurance lines of business, with a focus on specialty insurance products. These products are mainly offered in North America, Bermuda, the United Kingdom, continental Europe and Australia. Products offered in North America include: commercial automobile; commercial multi-peril; other liability-claims made, which includes financial and professional lines; other liability-occurrence, which includes admitted and excess and surplus casualty lines; property and short-tail specialty; workers compensation; and other. Products offered across the Company's International units include: property and short-tail specialty; and casualty and other.

The following tables set forth our insurance segment's underwriting results:

	Three Months Ended June 30,		
	2025	2024	% Change
Gross premiums written	\$ 2,681	\$ 2,102	27.5
Premiums ceded	(645)	(544)	
Net premiums written	2,036	1,558	30.7
Change in unearned premiums	(67)	(80)	
Net premiums earned	1,969	1,478	33.2
Other underwriting income (1)	13	—	
Losses and loss adjustment expenses	(1,178)	(848)	
Acquisition expenses	(387)	(288)	
Other operating expenses	(288)	(233)	
Underwriting income (loss)	\$ 129	\$ 109	18.3
			% Point Change
Underwriting Ratios			
Loss ratio	59.8 %	57.3 %	2.5
Acquisition expense ratio	19.6 %	19.5 %	0.1
Other operating expense ratio (2)	14.0 %	15.8 %	(1.8)
Combined ratio	93.4 %	92.6 %	0.8

(1) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.

(2) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.' See 'Comments on Non-GAAP Financial Measures' for further details.

	Six Months Ended June 30,		
	2025	2024	% Change
Gross premiums written	\$ 5,326	\$ 4,228	26.0
Premiums ceded	(1,357)	(1,128)	
Net premiums written	3,969	3,100	28.0
Change in unearned premiums	(140)	(171)	
Net premiums earned	3,829	2,929	30.7
Other underwriting income (1)	16	—	
Losses and loss adjustment expenses	(2,406)	(1,702)	
Acquisition expenses	(730)	(564)	
Other operating expenses	(582)	(468)	
Underwriting income (loss)	\$ 127	\$ 195	(34.9)
			% Point Change
Underwriting Ratios			
Loss ratio	62.8 %	58.1 %	4.7
Acquisition expense ratio	19.1 %	19.2 %	(0.1)
Other operating expense ratio (2)	14.8 %	16.0 %	(1.2)
Combined ratio	96.7 %	93.3 %	3.4

(1) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.

(2) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.' See 'Comments on Non-GAAP Financial Measures' for further details.

Premiums Written.

The following tables set forth our insurance segment's net premiums written by major line of business:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
North America				
Property and short-tail specialty	\$ 369	18.1	\$ 276	17.7
Other liability - occurrence	366	18.0	224	14.4
Other liability - claims made	206	10.1	215	13.8
Commercial multi-peril	205	10.1	62	4.0
Commercial automobile	165	8.1	123	7.9
Workers compensation	130	6.4	112	7.2
Other	89	4.4	75	4.8
Total North America	1,530	75.1	1,087	69.8
International				
Property and short-tail specialty	\$ 278	13.7	\$ 260	16.7
Casualty and other	228	11.2	211	13.5
Total International	506	24.9	471	30.2
Total	\$ 2,036	100.0	\$ 1,558	100.0

2025 Second Quarter versus 2024 Period. Gross premiums written by the insurance segment in the 2025 second quarter were 27.5% higher than in the 2024 second quarter (3.6% excluding the MCE Acquisition), while net premiums written were 30.7% higher than in the 2024 second quarter (1.7% excluding the MCE Acquisition).

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
North America				
Property and short-tail specialty	\$ 717	18.1	\$ 560	18.1
Other liability - occurrence	696	17.5	407	13.1
Other liability - claims made	355	8.9	415	13.4
Commercial multi-peril	403	10.2	103	3.3
Commercial automobile	326	8.2	235	7.6
Workers compensation	283	7.1	255	8.2
Other	165	4.2	144	4.6
Total North America	2,945	74.2	2,119	68.4
International				
Property and short-tail specialty	\$ 545	13.7	\$ 528	17.0
Casualty and other	479	12.1	453	14.6
Total International	1,024	25.8	981	31.6
Total	\$ 3,969	100.0	\$ 3,100	100.0

Six Months Ended June 30, 2025 versus 2024 period. Gross premiums written by the insurance segment for the six months ended June 30, 2025 were 26.0% higher than in the 2024 period, while net premiums written were 28.0% higher than in the 2024 period (1.5% excluding the MCE Acquisition).

Net Premiums Earned.

The following tables set forth our insurance segment's net premiums earned by major line of business:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
North America				
Property and short-tail specialty	\$ 363	18.4	\$ 264	17.9
Other liability - occurrence	338	17.2	175	11.8
Other liability - claims made	186	9.4	208	14.1
Commercial multi-peril	203	10.3	57	3.9
Commercial automobile	147	7.5	106	7.2
Workers compensation	147	7.5	132	8.9
Other	71	3.6	75	5.1
Total North America	1,455	73.9	1,017	68.8

International				
Property and short-tail specialty	\$ 272	13.8	\$ 248	16.8
Casualty and other	242	12.3	213	14.4
Total International	514	26.1	461	31.2
Total	\$ 1,969	100.0	\$ 1,478	100.0

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
North America				
Property and short-tail specialty	\$ 696	18.2	527	18.0
Other liability - occurrence	667	17.4	350	11.9
Other liability - claims made	378	9.9	420	14.3
Commercial multi-peril	404	10.6	100	3.4
Commercial automobile	292	7.6	207	7.1
Workers compensation	278	7.3	259	8.8
Other	143	3.7	156	5.3
Total North America	2,858	74.6	2,019	68.9

International				
Property and short-tail specialty	\$ 508	13.3	486	16.6
Casualty and other	463	12.1	424	14.5
Total International	971	25.4	910	31.1
Total	\$ 3,829	100.0	\$ 2,929	100.0

Net premiums written are primarily earned on a pro rata basis over the terms of the policies for all products, usually 12 months. Net premiums earned reflect changes in net premiums written over the previous five quarters. Net premiums earned for the 2025 second quarter were 33.2% higher than in the 2024 second quarter (6.8% excluding the MCE Acquisition) while net premiums earned for the six months ended June 30, 2025 were 30.7% higher than in the 2024 period (4.3% excluding the MCE Acquisition).

Other Underwriting Income.

Other underwriting income, which includes revenue earned from underwriting-related activities covered under existing service contracts, was \$13 million for the 2025 second quarter, compared to nil for the 2024 second quarter, and \$16 million for the six months ended June 30, 2025, compared to nil for the 2024 period.

Losses and Loss Adjustment Expenses.

The table below shows the components of the insurance segment's loss ratio:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Current year	60.2 %	57.6 %	63.4 %	58.6 %
Prior period reserve development	(0.4)%	(0.3)%	(0.6)%	(0.5)%
Loss ratio	59.8 %	57.3 %	62.8 %	58.1 %

Current Year Loss Ratio.

2025 Second Quarter versus 2024 Period. The insurance segment's current year loss ratio in the 2025 second quarter was 2.6 points higher than in the 2024 second quarter. The 2025 second quarter loss ratio reflected 2.9 points of current year catastrophic activity, compared to 2.0 points of current year catastrophic activity in the 2024 second quarter. The current year loss ratio for the 2025 second quarter also reflected the impact of the MCE Acquisition and changes in mix of business.

Six Months Ended June 30, 2025 versus 2024 Period. The insurance segment's current year loss ratio for the six months ended June 30, 2025 was 4.8 points higher than in the 2024 period and reflected 6.1 points of current year catastrophic activity, primarily related to the California wildfires, compared to 1.9 points in the 2024 period. The current year loss ratio for the 2025 period also reflected the impact of the MCE Acquisition and changes in mix of business.

Prior Period Reserve Development.

The insurance segment's net favorable development was \$8 million, or 0.4 points, for the 2025 second quarter, compared to \$5 million, or 0.3 points, for the 2024 second quarter, and \$25 million, or 0.6 points, for the six months ended June 30, 2025, compared to \$15 million, or 0.5 points, for the 2024 period. See [note 6, "Reserve for Losses and Loss Adjustment Expenses,"](#) to our consolidated financial statements for information about the insurance segment's prior year reserve development.

Underwriting Expenses.

2025 Second Quarter versus 2024 Period. The insurance segment's underwriting expense ratio was 33.6% in the 2025 second quarter, compared to 35.3% in the 2024 second quarter, with the decrease reflecting growth in net premiums earned. The impact of the MCE Acquisition lowered the current year underwriting expense ratio by approximately 0.6 points, due to efficiencies of scale in operating expenses and, to a lesser extent, to the effects of the fair value estimation of the assets acquired at closing, including the non-recognition of deferred acquisition costs.

Six Months Ended June 30, 2025 versus 2024 period. The insurance segment's underwriting expense ratio was 33.9% for the six months ended June 30, 2025, compared to 35.2% for the 2024 period, with the decrease reflecting growth in net premiums earned. The impact of the MCE Acquisition lowered the current year underwriting expense ratio by approximately 1.1 points.

Reinsurance Segment

The Company's reinsurance segment offers reinsurance products on a worldwide basis. Lines of business include: casualty; marine and aviation; specialty; property catastrophe; property excluding property catastrophe; and other.

The following tables set forth our reinsurance segment's underwriting results:

	Three Months Ended June 30,		
	2025	2024	% Change
Gross premiums written	\$ 3,196	\$ 2,941	8.7
Premiums ceded	(1,137)	(994)	
Net premiums written	2,059	1,947	5.8
Change in unearned premiums	28	(167)	
Net premiums earned	2,087	1,780	17.2
Other underwriting income (1)	46	1	
Losses and loss adjustment expenses	(1,128)	(1,006)	
Acquisition expenses	(436)	(345)	
Other operating expenses	(118)	(64)	
Underwriting income	\$ 451	\$ 366	23.2
Underwriting Ratios			% Point Change
Loss ratio	54.1 %	56.5 %	(2.4)
Acquisition expense ratio	20.9 %	19.4 %	1.5
Other operating expense ratio (2)	3.5 %	3.6 %	(0.1)
Combined ratio	78.5 %	79.5 %	(1.0)

(1) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.

(2) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.' See 'Comments on Non-GAAP Financial Measures' for further details.

	Six Months Ended June 30,		
	2025	2024	% Change
Gross premiums written	\$ 6,690	\$ 6,408	4.4
Premiums ceded	(2,315)	(2,195)	
Net premiums written	4,375	4,213	3.8
Change in unearned premiums	(260)	(767)	
Net premiums earned	4,115	3,446	19.4
Other underwriting income (1)	85	3	
Losses and loss adjustment expenses	(2,484)	(1,889)	
Acquisition expenses	(853)	(676)	
Other operating expenses	(245)	(139)	
Underwriting income (loss)	\$ 618	\$ 745	(17.0)
Underwriting Ratios			% Point Change
Loss ratio	60.4 %	54.8 %	5.6
Acquisition expense ratio	20.7 %	19.6 %	1.1
Other operating expense ratio (2)	3.9 %	4.0 %	(0.1)
Combined ratio	85.0 %	78.4 %	6.6

(1) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.

(2) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.' See 'Comments on Non-GAAP Financial Measures' for further details.

Premiums Written.

The following tables set forth our reinsurance segment's net premiums written by major line of business:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Specialty	\$ 729	35.4	\$ 539	27.7
Property catastrophe	484	23.5	472	24.2
Property excluding property catastrophe	430	20.9	585	30.0
Casualty	308	15.0	261	13.4
Marine and aviation	68	3.3	59	3.0
Other	40	1.9	31	1.6
Total	\$ 2,059	100.0	\$ 1,947	100.0

2025 Second Quarter versus 2024 Period. Gross premiums written by the reinsurance segment in the 2025 second quarter were 8.7% higher than in the 2024 second quarter, while net premiums written were 5.8% higher than in the 2024 second quarter. The growth in net premiums written primarily reflected increases in most lines of business, due in part to rate increases, new business opportunities and growth in existing accounts.

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Specialty	\$ 1,323	30.2	\$ 1,379	32.7
Property catastrophe	961	22.0	822	19.5
Property excluding property catastrophe	1,011	23.1	1,152	27.3
Casualty	807	18.4	604	14.3
Marine and aviation	189	4.3	188	4.5
Other	84	1.9	68	1.6
Total	\$ 4,375	100.0	\$ 4,213	100.0

Six Months Ended June 30, 2025 versus 2024 period. Gross premiums written by the reinsurance segment for the six months ended June 30, 2025 were 4.4% higher than in the 2024 period, while net premiums written were 3.8% higher than in the 2024 period. The growth in net premiums written reflected increases in most lines of business, due in part to rate increases, new business opportunities and growth in existing accounts.

Net Premiums Earned.

The following tables set forth our reinsurance segment's net premiums earned by major line of business:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Specialty	\$ 760	36.4	\$ 659	37.0
Property catastrophe	260	12.5	246	13.8
Property excluding property catastrophe	587	28.1	520	29.2
Casualty	355	17.0	269	15.1
Marine and aviation	82	3.9	60	3.4
Other	43	2.1	26	1.5
Total	\$ 2,087	100.0	\$ 1,780	100.0

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Specialty	\$ 1,487	36.1	\$ 1,246	36.2
Property catastrophe	566	13.8	480	13.9
Property excluding property catastrophe	1,135	27.6	1,006	29.2
Casualty	680	16.5	516	15.0
Marine and aviation	162	3.9	134	3.9
Other	85	2.1	64	1.9
Total	\$ 4,115	100.0	\$ 3,446	100.0

Net 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. Net premiums earned reflect changes in net premiums written over the previous five quarters. Net premiums earned for the 2025 second quarter were 17.2% higher than in the 2024 second quarter, while net premiums earned for the six months ended June 30, 2025 were 19.4% higher than in the 2024 period.

Other Underwriting Income.

Other underwriting income, which includes revenue earned from underwriting-related activities covered under existing service contracts, was \$46 million for the 2025 second quarter, compared to \$1 million for the 2024 second quarter, and \$85 million for the six months ended June 30, 2025, compared to \$3 million for the 2024 period.

Losses and Loss Adjustment Expenses.

The table below shows the components of the reinsurance segment's loss ratio:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Current year	58.0 %	58.4 %	65.3 %	57.0 %
Prior period reserve development	(3.9)%	(1.9)%	(4.9)%	(2.2)%
Loss ratio	54.1 %	56.5 %	60.4 %	54.8 %

Current Year Loss Ratio.

2025 Second Quarter versus 2024 Period. The reinsurance segment's current year loss ratio in the 2025 second quarter was 0.4 points lower than in the 2024 second quarter. The 2025 second quarter loss ratio reflected 5.5 points of current year catastrophic activity, compared to 10.0 points of current year catastrophic activity in the 2024 second quarter. The current year loss ratio for the 2025 second quarter also reflected a higher level of attritional losses and changes in the mix of business.

Six Months Ended June 30, 2025 versus 2024 Period. The reinsurance segment's current year loss ratio for the six months ended June 30, 2025 was 8.3 points higher than in the 2024 period and reflected 13.5 points of current year catastrophic activity primarily related to the California wildfires, compared to 6.1 points in the 2024 period. The current year loss ratio for the 2025 period and also reflected the impact of rate increases and changes in mix of business.

Prior Period Reserve Development.

The reinsurance segment's net favorable development was \$81 million, or 3.9 points, for the 2025 second quarter, compared to \$34 million, or 1.9 points, for the 2024 second quarter, and \$200 million, or 4.9 points, for the six months ended June 30, 2025, compared to \$74 million, or 2.2 points, for the 2024 period. See [note 6, "Reserve for Losses and Loss Adjustment Expenses,"](#) to our consolidated financial statements for information about the reinsurance segment's prior year reserve development.

Underwriting Expenses.

2025 Second Quarter versus 2024 Period. The underwriting expense ratio for the reinsurance segment was 24.4% in the 2025 second quarter, compared to 23.0% in the 2024 second quarter, with the increase primarily reflecting lower profit and sliding scale commissions on ceded business in the 2025 second quarter.

Six Months Ended June 30, 2025 versus 2024 period. The underwriting expense ratio for the reinsurance segment was 24.6% for the six months ended June 30, 2025, compared to 23.6% for the 2024 period. The increase in the 2025 period primarily reflected lower profit and sliding scale commissions on ceded business.

Mortgage Segment

The Company's mortgage segment consists of U.S. primary mortgage insurance business written predominantly on loans sold to the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), each a government sponsored entity ("GSE") and also through non GSE approved entities (combined "Arch MI U.S."); reinsurance and underwriting services related to U.S. credit-risk transfer ("CRT") business which are predominately with the GSEs and other U.S. mortgage reinsurance transactions; and international mortgage insurance and reinsurance business covering loans primarily in Australia and Europe.

The following tables set forth our mortgage segment's underwriting results:

	Three Months Ended June 30,		
	2025	2024	% Change
Gross premiums written	\$ 323	\$ 340	(5.0)
Premiums ceded	(70)	(64)	
Net premiums written	253	276	(8.3)
Change in unearned premiums	28	31	
Net premiums earned	281	307	(8.5)
Other underwriting income (1)	3	2	
Losses and loss adjustment expenses	3	27	
Acquisition expenses	(1)	—	
Other operating expenses	(48)	(49)	
Underwriting income	\$ 238	\$ 287	(17.1)
Underwriting Ratios			% Point Change
Loss ratio	(1.2)%	(8.6)%	7.4
Acquisition expense ratio	0.4 %	0.1 %	0.3
Other operating expense ratio (2)	16.0 %	15.9 %	0.1
Combined ratio	15.2 %	7.4 %	7.8

(1) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.

(2) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.' See 'Comments on Non-GAAP Financial Measures' for further details.

	Six Months Ended June 30,		
	2025	2024	% Change
Gross premiums written	\$ 649	\$ 681	(4.7)
Premiums ceded	(130)	(128)	
Net premiums written	519	553	(6.1)
Change in unearned premiums	62	59	
Net premiums earned	581	612	(5.1)
Other underwriting income (1)	14	12	
Losses and loss adjustment expenses	—	36	
Acquisition expenses	(5)	—	
Other operating expenses	(100)	(102)	
Underwriting income	\$ 490	\$ 558	(12.2)
Underwriting Ratios			% Point Change
Loss ratio	— %	(5.8)%	5.8
Acquisition expense ratio	0.9 %	0.1 %	0.8
Other operating expense ratio (2)	14.9 %	16.7 %	(1.8)
Combined ratio	15.8 %	11.0 %	4.8

(1) 'Other underwriting income' includes revenue earned from underwriting-related activities covered under existing service contracts.

(2) The 'Other operating expense ratio' for the 2025 period includes 'Other underwriting income.' See 'Comments on Non-GAAP Financial Measures' for further details.

Premiums Written.

The following tables set forth our mortgage segment's net premiums written by major line of business:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
U.S. primary mortgage insurance	\$ 184	72.7	\$ 201	72.8
U.S. credit risk transfer (CRT) and other	51	20.2	51	18.5
International mortgage insurance/reinsurance	18	7.1	24	8.7
Total	\$ 253	100.0	\$ 276	100.0

2025 Second Quarter versus 2024 Period. Gross premiums written by the mortgage segment in the 2025 second quarter were 5.0% lower than in the 2024 second quarter, while net premiums written were 8.3% lower than in the 2024 second quarter. The reduction in net premiums written in the 2025 second quarter primarily reflected a one-time \$15 million expense related to the tender offer of certain Bellemeade Re mortgage insurance linked notes and to a lesser extent a lower level of mortgage originations, mostly in our international businesses.

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
U.S. primary mortgage insurance	\$ 387	74.6	\$ 403	72.9
U.S. credit risk transfer (CRT) and other	101	19.5	107	19.3
International mortgage insurance/reinsurance	31	6.0	43	7.8
Total	\$ 519	100.0	\$ 553	100.0

Six Months Ended June 30, 2025 versus 2024 Period. Gross premiums written by the mortgage segment for the six months ended June 30, 2025 were 4.7% lower than in the 2024 period, while net premiums written for the six months ended June 30, 2025 were 6.1% lower than in the 2024 period. The reduction in net premiums written in the 2025 period primarily reflected a lower level of mortgage originations, mostly in our international businesses and a one-time \$15 million expense related to the tender offer of certain Bellemeade Re mortgage insurance linked notes.

The persistency rate was 81.9% for the Arch MI U.S. portfolio of primary mortgage insurance policies at June 30, 2025, compared to 83.3% at June 30, 2024. The persistency rate represents the percentage of mortgage insurance in force at the beginning of a 12 month period that remains in force at the end of such period.

The following tables provide details on the new insurance written ("NIW") generated by Arch MI U.S. NIW represents the original principal balance of all loans that received coverage during the period.

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Total new insurance written (NIW)	\$ 12,254		\$ 13,799	
<u>Credit quality (FICO):</u>				
>=740	\$ 9,411	76.8	\$ 9,726	70.5
680-739	2,527	20.6	3,641	26.4
620-679	313	2.6	430	3.1
<620	3	0.0	2	0.0
Total	\$ 12,254	100.0	\$ 13,799	100.0
<u>Loan-to-value (LTV):</u>				
95.01% and above	\$ 814	6.6	\$ 1,014	7.3
90.01% to 95.00%	5,632	46.0	7,234	52.4
85.01% to 90.00%	3,945	32.2	4,047	29.3
85.00% and below	1,863	15.2	1,504	10.9
Total	\$ 12,254	100.0	\$ 13,799	100.0
<u>Monthly vs. single:</u>				
Monthly	\$ 11,779	96.1	\$ 12,764	92.5
Single	475	3.9	1,035	7.5
Total	\$ 12,254	100.0	\$ 13,799	100.0
<u>Purchase vs. refinance:</u>				
Purchase	\$ 11,633	94.9	\$ 13,588	98.5
Refinance	621	5.1	211	1.5
Total	\$ 12,254	100.0	\$ 13,799	100.0

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Total new insurance written (NIW)	\$ 21,444		\$ 23,135	
<u>Credit quality (FICO):</u>				
>=740	\$ 16,246	75.8	\$ 16,090	69.5
680-739	4,630	21.6	6,301	27.2
620-679	562	2.6	741	3.2
<620	6	0.0	3	0.0
Total	\$ 21,444	100.0	\$ 23,135	100.0
<u>Loan-to-value (LTV):</u>				
95.01% and above	\$ 1,570	7.3	\$ 1,556	6.7
90.01% to 95.00%	10,006	46.7	12,474	53.9
85.01% to 90.00%	6,865	32.0	6,671	28.8
85.01% and below	3,003	14.0	2,434	10.5
Total	\$ 21,444	100.0	\$ 23,135	100.0
<u>Monthly vs. single:</u>				
Monthly	\$ 20,276	94.6	\$ 21,680	93.7
Single	1,168	5.4	1,455	6.3
Total	\$ 21,444	100.0	\$ 23,135	100.0
<u>Purchase vs. refinance:</u>				
Purchase	\$ 20,428	95.3	\$ 22,755	98.4
Refinance	1,016	4.7	380	1.6
Total	\$ 21,444	100.0	\$ 23,135	100.0

Net Premiums Earned.

The following tables set forth our mortgage segment's net premiums earned by major line of business:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
U.S. primary mortgage insurance	\$ 188	66.9	\$ 209	68.1
U.S. credit risk transfer (CRT) and other	51	18.1	51	16.6
International mortgage insurance/reinsurance	42	14.9	47	15.3
Total	\$ 281	100.0	\$ 307	100.0

2025 Second Quarter versus 2024 Period. Net premiums earned for the 2025 second quarter were 8.5% lower than in the 2024 second quarter, reflecting changes in net premiums written over the previous five quarters. The decrease in net premiums earned in the 2025 period primarily reflected a one-time \$15 million expense related to the tender offer of certain Bellemeade Re mortgage insurance linked notes and a lower level of mortgage originations, mostly in our international businesses.

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
U.S. primary mortgage insurance	\$ 397	68.3	\$ 415	67.8
U.S. credit risk transfer (CRT) and other	101	17.4	107	17.5
International mortgage insurance/reinsurance	83	14.3	90	14.7
Total	\$ 581	100.0	\$ 612	100.0

Six Months Ended June 30, 2025 versus 2024 Period. For the six months ended June 30, 2025, net premiums earned were 5.1% lower than in the 2024 period. The decrease in net premiums earned in the 2025 period primarily reflected a one-time \$15 million expense related to the tender offer of certain Bellemeade Re mortgage insurance linked notes and a lower level of mortgage originations, mostly in our international businesses.

Other Underwriting Income.

Other underwriting income, which is primarily related to GSE credit risk-sharing transactions, was \$3 million for the 2025 second quarter, compared to \$2 million for the 2024 second quarter, and \$14 million for the six months ended June 30, 2025, compared to \$12 million for the 2024 period.

Losses and Loss Adjustment Expenses.

The table below shows the components of the mortgage segment's loss ratio:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Current year	21.6 %	18.3 %	21.6 %	19.8 %
Prior period reserve development	(22.8)%	(26.9)%	(21.6)%	(25.6)%
Loss ratio	(1.2)%	(8.6)%	— %	(5.8)%

Current Year Loss Ratio.

2025 Second Quarter versus 2024 Period. The mortgage segment's current year loss ratio was 3.3 points higher in the 2025 second quarter than in the 2024 second quarter. The higher current year loss ratio for the 2025 second quarter reflected slightly higher new delinquencies and the impact of the Bellemeade Re tender offers noted above.

Six Months Ended June 30, 2025 versus 2024 Period. The mortgage segment's current year loss ratio was 1.8 points higher for the six months ended June 30, 2025 than for the 2024 period. The higher current year loss ratio for the 2025 period reflected slightly higher new delinquencies and the impact of the Bellemeade Re tender offers noted above.

Prior Period Reserve Development.

The mortgage segment's net favorable development was \$64 million, or 22.8 points, for the 2025 second quarter, compared to \$82 million, or 26.9 points, for the 2024 second quarter, and \$125 million, or 21.6 points, for the six months ended June 30, 2025, compared to \$156 million, or 25.6 points, for the 2024 period. See [note 6, "Reserve for Losses and Loss Adjustment Expenses,"](#) to our consolidated financial statements for information about the mortgage segment's prior year reserve development.

Underwriting Expenses.

2025 Second Quarter versus 2024 Period. The underwriting expense ratio for the mortgage segment was 16.4% in the 2025 second quarter, compared to 16.0% in the 2024 second quarter.

Six Months Ended June 30, 2025 versus 2024 period. The underwriting expense ratio for the mortgage segment was 15.8% for the six months ended June 30, 2025, compared to 16.8% for the 2024 period.

Corporate

The Company's corporate results include net investment income, net realized gains or losses (which includes realized and unrealized changes in the fair value of equity securities and assets accounted for using the fair value option, realized and unrealized gains or losses on derivative instruments, changes in the allowance for credit losses on financial assets and gains or losses realized from the acquisition or disposition of subsidiaries), equity in net income or loss of investments accounted for using the equity method, other income or loss, corporate expenses, transaction costs and other, amortization of intangible assets, interest expense, net foreign exchange gains or losses, income taxes, income from operating affiliates and items related to our non-cumulative preferred shares.

Net Investment Income.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Fixed maturities	\$ 360	\$ 306	\$ 702	\$ 586
Short-term investments	24	35	50	64
Equity securities	10	10	21	18
Other (1)	35	35	63	68
Gross investment income	429	386	836	736
Investment expenses (2)	(24)	(22)	(53)	(45)
Net investment income	\$ 405	\$ 364	\$ 783	\$ 691

- (1) Amounts include dividends and other distributions on investment funds, term loan investments, funds held balances, cash balances and other items.
- (2) Investment expenses were approximately 0.25% of average invested assets for the 2025 second quarter, compared to 0.26% for the 2024 second quarter, and 0.28% for the six months ended June 30, 2025, compared to 0.27% for the 2024 period.

The higher level of net investment income for the 2025 periods primarily reflected growth in average invested assets, due in part to strong operating cash flows. Net cash flow from operating activities contributed \$2.6 billion for the six months ended June 30, 2025. The pre-tax investment income yield, calculated based on amortized cost and on an annualized basis, was 4.25% for the 2025 second quarter, compared to 4.39% for the 2024 second quarter, and 4.19% for the six months ended June 30, 2025, compared to 4.36% for the 2024 period.

Corporate Expenses.

Corporate expenses were \$29 million for the 2025 second quarter, compared to \$23 million for the 2024 second quarter, and \$79 million for the six months ended June 30, 2025, compared to \$69 million for the 2024 period. Such amounts primarily represent certain holding company costs necessary to support our worldwide operations and costs associated with operating as a publicly traded company. The increase in corporate expenses was primarily due to higher incentive compensation costs.

Transaction Costs and Other.

Transaction costs and other for the 2025 second quarter was \$18 million, consistent with \$18 million for the 2024 second quarter, and \$28 million for the six months ended June 30, 2025, compared to \$25 million for the 2024 period. Amounts in both periods primarily includes direct costs related to the MCE Acquisition.

Other Income or Losses.

Other income for the 2025 second quarter was \$18 million, compared to an income of \$8 million for the 2024 second quarter, and income of \$16 million for the six months ended June 30, 2025, compared to \$22 million for the 2024 period. Amounts in both periods primarily reflect changes in the cash surrender value of our investment in corporate-owned life insurance.

Amortization of Intangible Assets.

Amortization of intangible assets for the 2025 second quarter was \$48 million, compared to \$27 million for the 2024 second quarter, and \$97 million for the six months ended June 30, 2025, compared to \$48 million for the 2024 period. The increase in the 2025 periods was primarily related to the MCE Acquisition.

Interest Expense.

Interest expense was \$38 million for the 2025 second quarter, compared to \$35 million for the 2024 second quarter, and \$73 million for the six months ended June 30, 2025, compared to \$69 million for the 2024 period. Interest expense primarily reflects amounts related to our outstanding senior notes.

Net Realized Gains or Losses.

Net realized gains for the 2025 second quarter were \$229 million, compared to net realized gains of \$122 million for the 2024 second quarter. Net realized gains were \$232 million for the six months ended June 30, 2025, compared to net realized gains of \$189 million for the 2024 period. Amounts in both periods reflected sales of investments as well as the impact of financial market movements on the Company's equity securities and investments accounted for under the fair value option method. Currently, our portfolio is actively managed to maximize total return within certain guidelines. Amounts in the 2025 periods also include losses related to the anticipated sale of certain alternative investments accounted for under the equity method. The effect of financial market movements on the investment portfolio will directly impact net realized gains or losses as the portfolio is adjusted and rebalanced. Net realized gains or losses from the sale of fixed maturities primarily results from our decisions to reduce credit exposure, to change duration targets, to rebalance our portfolios or due to relative value determinations.

Net realized gains or losses also include realized and unrealized changes in the fair value of equity securities and assets accounted for using the fair value option, realized and unrealized gains or losses on derivative instruments, changes in the allowance for credit losses on financial assets and gains or losses realized from the acquisition or disposition of subsidiaries. See [note 8, "Investment Information—Net Realized Gains \(Losses\)"](#) and [note 8, "Investment Information—Allowance for Expected Credit Losses,"](#) to our consolidated financial statements for additional information.

Equity in Net Income or Losses of Investments Accounted for Using the Equity Method.

Equity in net income of investments accounted for using the equity method was \$162 million in the 2025 second quarter, compared to \$167 million for the 2024 second quarter, and \$215 million for the six months ended June 30, 2025, compared to \$266 million for the 2024 period. Such investments are generally recorded on a one to three month lag based on the availability of reports from the investment funds. Investment funds accounted for using the equity method totaled \$6.6 billion at June 30, 2025, compared to \$6.0 billion at December 31, 2024. See [note 8, "Investment Information—Investments Accounted For Using the Equity Method,"](#) to our consolidated financial statements for additional information.

Net Foreign Exchange Gains or Losses.

Net foreign exchange losses for the 2025 second quarter were \$88 million, compared to gains of \$1 million for the 2024 second quarter. Net foreign exchange losses for the six months ended June 30, 2025 were \$115 million, compared to gains of \$32 million for the 2024 period. Amounts in both periods were primarily unrealized and resulted from the effects of revaluing our net insurance liabilities required to be settled in foreign currencies at each balance sheet date.

Income Tax Expense.

Our income tax provision on income or loss before income taxes, including income or loss from operating affiliates, resulted in an expense of 14.7% for the 2025 second quarter, compared to an expense of 7.1% for the 2024 second quarter, and an expense of 15.6% for the six months ended June 30, 2025, compared to an expense of 7.7% for the 2024 period. The year-over-year increase is primarily attributed to the Government of Bermuda enacting the Corporate Income Tax Act 2023, which established a 15% corporate income tax effective January 1, 2025. See [note 14, "Income Taxes"](#) to our consolidated financial statements for additional information.

Income or Losses from Operating Affiliates.

Income from operating affiliates for the 2025 second quarter was \$40 million, compared to income of \$45 million for the 2024 second quarter, and income of \$57 million for the six months ended June 30, 2025, compared to income of \$100 million for the 2024 period. Such amounts primarily related to the Company's investment in Somers Group Holdings Ltd. ("Somers") and Coface SA. The decrease in income from operating affiliates in the 2025 second quarter was primarily driven by lower level of affiliated income from Somers, partly due to the impact of California wildfires. See [note 8, "Investment Information—Investments in Operating Affiliates,"](#) to our consolidated financial statements for additional information.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENTS

Critical accounting policies, estimates and recent accounting pronouncements are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2024 Form 10-K, updated where applicable in the notes accompanying our consolidated financial statements, including [note 1, "Basis of Presentation and Recent Accounting Pronouncements."](#)

FINANCIAL CONDITION

Investable Assets Held by Arch

At June 30, 2025, approximately \$28.0 billion, or 62%, of total investable assets held by Arch were internally managed, compared to \$25.6 billion, or 62%, at December 31, 2024. See [note 8, "Investment Information"](#) to our consolidated financial statements for additional information.

The following table summarizes the duration and average credit quality of fixed income assets held by Arch:

	June 30, 2025	December 31, 2024
Average effective fixed maturities duration (in years)	3.48	3.31
Average S&P/Moody's credit ratings (1)	AA-/Aa3	AA-/Aa3

(1) Average credit ratings on our investment portfolio on securities with ratings assigned by S&P and Moody's.

The following table provides the credit quality distribution of our fixed maturities. For individual fixed maturities, S&P ratings are used. In the absence of an S&P rating, ratings from Moody's are used, followed by ratings from Fitch Ratings.

	Estimated Fair Value	% of Total
June 30, 2025		
U.S. government and gov't agencies (1)	\$ 8,355	26.7
AAA	4,745	15.1
AA	2,491	7.9
A	6,645	21.2
BBB	6,673	21.3
BB	1,110	3.5
B	657	2.1
Lower than B	30	0.1
Not rated	635	2.0
Total	\$ 31,341	100.0
December 31, 2024		
U.S. government and gov't agencies (1)	\$ 7,498	26.9
AAA	4,330	15.5
AA	2,285	8.2
A	5,138	18.4
BBB	6,467	23.2
BB	978	3.5
B	458	1.6
Lower than B	28	0.1
Not rated	707	2.5
Total	\$ 27,889	100.0

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

The following table provides information on the severity of the unrealized loss position as a percentage of amortized cost for all fixed maturities which were in an unrealized loss position:

Severity of gross unrealized losses:	Estimated Fair Value	Gross Unrealized Losses	% of Total Gross Unrealized Losses
June 30, 2025			
0-10%	\$ 8,282	\$ (237)	60.2
10-20%	1,052	(150)	38.1
20-30%	18	(6)	1.5
Greater than 30%	1	(1)	0.3
Total	\$ 9,353	\$ (394)	100.0
December 31, 2024			
0-10%	\$ 16,044	\$ (453)	65.5
10-20%	1,357	(216)	31.2
20-30%	70	(20)	2.9
Greater than 30%	6	(3)	0.4
Total	\$ 17,477	\$ (692)	100.0

The following table summarizes our top ten exposures to fixed income corporate issuers by fair value at June 30, 2025, excluding guaranteed amounts and covered bonds:

	Estimated Fair Value	Credit Rating (1)
JPMorgan Chase & Co.	\$ 417	A-/A1
Morgan Stanley	367	A-/A1
Bank of America Corporation	357	A-/A1
The Goldman Sachs Group, Inc.	263	A-/A2
Wells Fargo & Company	261	BBB+/A1
Citigroup Inc.	214	A-/A2
Philip Morris International Inc.	206	A-/A2
The Toronto-Dominion Bank	181	A-/A2
Blue Owl Capital Inc.	176	BBB-/Baa3
Deutsche Telekom AG	149	BBB/Baa2
Total	\$ 2,591	

(1) Average credit ratings as assigned by S&P and Moody's, respectively.

The following table provides information on our structured securities, which includes residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS"):

	Agencies	Investment Grade	Below Investment Grade	Total
June 30, 2025				
RMBS	\$ 1,759	\$ 627	\$ —	\$ 2,386
CMBS	6	764	68	838
ABS	—	2,593	177	2,770
Total	\$ 1,765	\$ 3,984	\$ 245	\$ 5,994
December 31, 2024				
RMBS	\$ 769	\$ 310	\$ —	\$ 1,079
CMBS	7	959	92	1,058
ABS	—	2,667	233	2,900
Total	\$ 776	\$ 3,936	\$ 325	\$ 5,037

The following table summarizes our equity securities, which include investments in exchange traded funds:

	June 30, 2025	December 31, 2024
Equities (1)	\$ 1,180	\$ 1,041
Exchange traded funds		
Fixed income (2)	310	428
Equity and other (3)	230	213
Total	\$ 1,720	\$ 1,682

- (1) Primarily in technology, communications, consumer non-cyclical, financial and industrial sectors at June 30, 2025.
- (2) Primarily in structured and corporate exposures at June 30, 2025.
- (3) Primarily in technology, financials, consumer cyclical, communications and healthcare sectors at June 30, 2025.

For details on our other investments and other investable assets, see [note 8, "Investment Information—Other Investments"](#) to our consolidated financial statements.

For details on our investments accounted for using the equity method, see [note 8, "Investment Information—Investments Accounted For Using the Equity Method,"](#) to our consolidated financial statements.

Our investment strategy allows for the use of derivative instruments. We utilize various derivative instruments such as futures contracts to enhance investment performance, replicate investment positions or manage market exposures and duration risk that would be allowed under our investment guidelines if implemented in other ways. See [note 10, "Derivative Instruments,"](#) to our consolidated financial statements for additional disclosures related to derivatives.

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. See [note 9, “Fair Value,”](#) to our consolidated financial statements for a summary of our financial assets and liabilities measured at fair value, segregated by level in the fair value hierarchy.

Reinsurance

The effects of reinsurance on written and earned premiums and losses and loss adjustment expenses (“LAE”) with unaffiliated reinsurers were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Premiums written:				
Direct	\$ 2,581	\$ 2,521	\$ 5,173	\$ 5,007
Assumed	3,615	2,861	7,486	6,308
Ceded	(1,848)	(1,601)	(3,796)	(3,449)
Net	<u>\$ 4,348</u>	<u>\$ 3,781</u>	<u>\$ 8,863</u>	<u>\$ 7,866</u>
Premiums earned:				
Direct	\$ 2,560	\$ 2,417	\$ 5,020	\$ 4,758
Assumed	3,332	2,483	6,559	4,858
Ceded	(1,555)	(1,335)	(3,054)	(2,629)
Net	<u>\$ 4,337</u>	<u>\$ 3,565</u>	<u>\$ 8,525</u>	<u>\$ 6,987</u>
Losses and LAE:				
Direct	\$ 1,464	\$ 1,200	\$ 2,741	\$ 2,599
Assumed	1,624	1,196	4,195	2,460
Ceded	(785)	(569)	(2,046)	(1,504)
Net	<u>\$ 2,303</u>	<u>\$ 1,827</u>	<u>\$ 4,890</u>	<u>\$ 3,555</u>

See [note 7, “Allowance for Expected Credit Losses,”](#) to our consolidated financial statements for information about our reinsurance recoverables and related allowance for credit losses.

Bellemeade Re

We have entered into aggregate excess of loss mortgage reinsurance agreements with various special purpose reinsurance companies domiciled in Bermuda (the “Bellemeade Agreements”). For the respective coverage periods, we 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. We will then retain losses in excess of the outstanding coverage limit. The aggregate excess of loss reinsurance coverage generally decreases over a ten-year period as the underlying covered mortgages amortize, unless provisional call options embedded within certain of the Bellemeade Agreements are executed or if pre-defined delinquency triggering events occur.

The following table summarizes the respective coverages and retentions at June 30, 2025:

Bellemeade Entities (Issue Date)	Initial Coverage at Issuance	Current Coverage	Remaining Retention, Net
2021-3 Ltd. (1)	639	224	131
2022-1 Ltd. (2)	317	73	138
2022-2 Ltd. (3)	327	153	194
2023-1 Ltd. (4)	233	218	171
2024-1 Ltd. (5)	204	204	167
Total	<u>\$ 1,720</u>	<u>\$ 872</u>	<u>\$ 801</u>

- (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.

Reserve for Losses and Loss Adjustment Expenses

We establish reserve for losses and loss adjustment expenses (“Loss Reserves”) which represent estimates involving actuarial and statistical projections, at a given point in time, of our expectations of the ultimate settlement and administration costs of losses incurred. Estimating Loss Reserves is inherently difficult. We utilize actuarial models as well as available historical insurance industry loss ratio experience and loss development patterns to assist in the establishment of Loss Reserves. Actual losses and loss adjustment expenses paid will deviate, perhaps substantially, from the reserve estimates reflected in our financial statements.

At June 30, 2025 and December 31, 2024, our Loss Reserves, net of unpaid losses and loss adjustment expenses recoverable, by type and by operating segment were as follows:

	June 30, 2025	December 31, 2024
Insurance segment:		
Case reserves	\$ 3,641	\$ 3,730
IBNR reserves	8,870	8,238
Total net reserves	12,511	11,968
Reinsurance segment:		
Case reserves	2,787	2,721
Additional case reserves	1,021	806
IBNR reserves	6,795	5,580
Total net reserves	10,603	9,107
Mortgage segment:		
Case reserves	324	331
IBNR reserves	138	142
Total net reserves	462	473
Total:		
Case reserves	6,752	6,782
Additional case reserves	1,021	806
IBNR reserves	15,803	13,960
Total net reserves	\$ 23,576	\$ 21,548

At June 30, 2025 and December 31, 2024, the insurance segment's Loss Reserves by major line of business, net of unpaid losses and loss adjustment expenses recoverable, were as follows:

	June 30, 2025	December 31, 2024
Insurance segment:		
Multi-line and other specialty	\$ 4,399	\$ 4,105
Third party occurrence business	4,369	4,104
Third party claims-made business	2,810	2,630
Property, energy, marine and aviation	933	1,129
Total net reserves	\$ 12,511	\$ 11,968

At June 30, 2025 and December 31, 2024, the reinsurance segment's Loss Reserves by major line of business, net of unpaid losses and loss adjustment expenses recoverable, were as follows:

	June 30, 2025	December 31, 2024
Reinsurance segment:		
Casualty	\$ 3,463	\$ 3,089
Specialty	3,416	2,791
Property excluding property catastrophe	2,033	1,778
Property catastrophe	985	845
Marine and aviation	552	461
Other	154	143
Total net reserves	\$ 10,603	\$ 9,107

At June 30, 2025 and December 31, 2024, the mortgage segment's Loss Reserves by major line of business, net of unpaid losses and loss adjustment expenses recoverable, were as follows:

	June 30, 2025	December 31, 2024
Mortgage segment:		
U.S. primary mortgage insurance (1)	\$ 324	\$ 333
U.S. credit risk transfer (CRT) and other	77	85
International mortgage insurance/reinsurance	61	55
Total net reserves	\$ 462	\$ 473

- (1) At June 30, 2025, 30.3% of total net reserves represents policy years 2015 and prior and the remainder from later policy years. At December 31, 2024, 36.1% of total net reserves represent policy years 2015 and prior and the remainder from later policy years.

Mortgage Operations Supplemental Information

The mortgage segment's insurance in force ("IIF") and risk in force ("RIF") were as follows at June 30, 2025 and December 31, 2024:

	June 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Insurance In Force (IIF) (1):				
U.S. primary mortgage insurance	\$ 286,410	57.7	\$ 290,435	58.0
U.S. credit risk transfer (CRT) and other	145,883	29.4	145,892	29.1
International mortgage insurance/reinsurance	64,374	13.0	64,822	12.9
Total	\$ 496,667	100.0	\$ 501,149	100.0
Risk In Force (RIF) (2):				
U.S. primary mortgage insurance	\$ 74,948	85.1	\$ 76,034	85.3
U.S. credit risk transfer (CRT) and other	5,892	6.7	5,876	6.6
International mortgage insurance/reinsurance	7,221	8.2	7,215	8.1
Total	\$ 88,061	100.0	\$ 89,125	100.0

- (1) Represents the aggregate dollar amount of each insured mortgage loan's current principal balance. Such amounts are shown before external reinsurance.
- (2) The aggregate dollar amount of each insured mortgage loan's current principal balance multiplied by the insurance coverage percentage specified in the policy for insurance policies issued and after contract limits and/or loss ratio caps for risk-sharing or reinsurance. Such amounts are shown before external reinsurance.

The IIF and RIF for our U.S. primary mortgage insurance business by policy year were as follows at June 30, 2025:

	IIF		RIF		Delinquency
	Amount	%	Amount	%	Rate (1)
Policy year:					
2015 and prior	\$ 17,041	5.9	\$ 4,340	5.8	5.32 %
2016	3,809	1.3	959	1.3	3.38 %
2017	4,862	1.7	1,298	1.7	3.29 %
2018	6,407	2.2	1,668	2.2	3.91 %
2019	11,687	4.1	3,066	4.1	2.71 %
2020	35,321	12.3	9,636	12.9	1.48 %
2021	55,848	19.5	15,137	20.2	1.50 %
2022	53,320	18.6	14,173	18.9	1.55 %
2023	34,418	12.0	8,867	11.8	1.27 %
2024	42,851	15.0	10,700	14.3	0.59 %
2025	20,846	7.3	5,104	6.8	0.05 %
Total	<u>\$ 286,410</u>	<u>100.0</u>	<u>\$ 74,948</u>	<u>100.0</u>	<u>1.93 %</u>

(1) Represents the ending percentage of loans in default.

The IIF and RIF for our U.S. primary mortgage insurance business by policy year were as follows at December 31, 2024:

	IIF		RIF		Delinquency
	Amount	%	Amount	%	Rate (1)
Policy year:					
2015 and prior	\$ 18,329	6.3	\$ 4,670	6.1	5.85 %
2016	5,240	1.8	1,371	1.8	3.23 %
2017	5,554	1.9	1,489	2.0	3.52 %
2018	7,081	2.4	1,843	2.4	4.31 %
2019	12,919	4.4	3,386	4.5	2.85 %
2020	39,426	13.6	10,718	14.1	1.52 %
2021	62,382	21.5	16,620	21.9	1.52 %
2022	57,175	19.7	15,113	19.9	1.51 %
2023	36,827	12.7	9,479	12.5	1.12 %
2024	45,502	15.7	11,345	14.9	0.30 %
Total	<u>\$ 290,435</u>	<u>100.0</u>	<u>\$ 76,034</u>	<u>100.0</u>	<u>2.09 %</u>

(1) Represents the ending percentage of loans in default.

The following tables provide supplemental disclosures on risk in force for our U.S. primary mortgage insurance business at June 30, 2025 and December 31, 2024:

	June 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Credit quality (FICO):				
>=740	\$ 47,261	63.1	\$ 47,360	62.3
680-739	23,880	31.9	24,688	32.5
620-679	3,479	4.6	3,638	4.8
<620	328	0.4	348	0.5
Total	<u>\$ 74,948</u>	<u>100.0</u>	<u>\$ 76,034</u>	<u>100.0</u>
Weighted average FICO score	749		748	
Loan-to-value (LTV):				
95.01% and above	\$ 7,361	9.8	\$ 7,420	9.8
90.01% to 95.00%	44,711	59.7	45,311	59.6
85.01% to 90.00%	20,293	27.1	20,637	27.1
85.00% and below	2,583	3.4	2,666	3.5
Total	<u>\$ 74,948</u>	<u>100.0</u>	<u>\$ 76,034</u>	<u>100.0</u>
Weighted average LTV	93.2 %		93.2 %	
Total RIF, net of external reinsurance	\$ 60,436		\$ 60,085	

	June 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Total RIF by State:				
California	\$ 5,894	7.9	\$ 5,989	7.9
Texas	5,432	7.2	5,613	7.4
North Carolina	3,347	4.5	3,355	4.4
Minnesota	3,147	4.2	3,108	4.1
Georgia	3,063	4.1	3,143	4.1
Illinois	3,033	4.0	3,056	4.0
Massachusetts	2,841	3.8	2,885	3.8
Michigan	2,816	3.8	2,855	3.8
Florida	2,714	3.6	2,824	3.7
Ohio	2,702	3.6	2,716	3.6
Other	39,959	53.3	40,490	53.3
Total	<u>\$ 74,948</u>	<u>100.0</u>	<u>\$ 76,034</u>	<u>100.0</u>

The following table provides supplemental disclosures for our U.S. primary mortgage insurance business related to insured loans and loss metrics:

(U.S. Dollars in thousands, except policy, loan and claim count)	Six Months Ended June 30,	
	2025	2024
<u>Roll-forward of insured loans in default:</u>		
Beginning delinquent number of loans	22,982	19,457
New notices	22,385	20,434
Cures	(24,005)	(21,423)
Paid claims	(600)	(571)
Acquired delinquent loans (1)	—	2,525
Ending delinquent number of loans (2)	20,762	20,422
Ending number of policies in force (2)	1,073,477	1,123,698
Delinquency rate (2)	1.93 %	1.82 %
<u>Losses:</u>		
Number of claims paid	600	571
Total paid claims	\$ 24,653	\$ 18,342
Average per claim	\$ 41.1	\$ 32.1
Severity (3)	76.0 %	67.8 %
Average case reserve per default (2)	\$ 16.8	\$ 17.1

(1) Represents delinquent loans related to the acquisition of RMIC Companies, Inc.

(2) Includes first lien primary and pool policies.

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

The risk to capital ratio, which represents total current (non-delinquent) risk in force, net of reinsurance, divided by total statutory capital, for Arch MI U.S. was approximately 8.3 to 1 at June 30, 2025, compared to 7.8 to 1 at December 31, 2024.

Shareholders' Equity and Book Value per Share

The following table presents the calculation of book value per share:

	June 30, 2025	December 31, 2024
Total shareholders' equity available to Arch	\$ 23,041	\$ 20,820
Less preferred shareholders' equity	830	830
Common shareholders' equity available to Arch	\$ 22,211	\$ 19,990
Common shares and common share equivalents outstanding, net of treasury shares (1)	375.4	376.4
Book value per share	\$ 59.17	\$ 53.11

(1) Excludes the effects of 10.7 million and 12.4 million stock options and 0.3 million and 0.3 million restricted and performance share units outstanding at June 30, 2025 and December 31, 2024, respectively.

LIQUIDITY

Liquidity is a measure of our ability to access sufficient cash flows to meet the short-term and long-term cash requirements of our business operations.

Arch Capital is a holding company whose assets primarily consist of the shares in its subsidiaries. Generally, Arch Capital depends on its available cash resources, liquid investments and dividends or other distributions from its subsidiaries to make payments, including the payment of debt service obligations and operating expenses it may incur and any dividends or liquidation amounts with respect to our preferred and common shares.

For the six months ended June 30, 2025, Arch Capital received dividends of \$435 million from Arch Reinsurance Ltd. ("Arch Re Bermuda"), our Bermuda based reinsurer and insurer, which can pay approximately \$4.7 billion to Arch Capital during the remainder of 2025 without providing an affidavit to the Bermuda Monetary Authority.

We expect that our liquidity needs, including our anticipated (re)insurance obligations and operating and capital expenditure needs, for the next 12 months and for the foreseeable future thereafter, will be met by funds generated from underwriting activities and investment income, as well as by our balance of cash, short-term investments, proceeds on the sale or maturity of our investments, and our credit facilities.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities:

	Six Months Ended June 30,	
	2025	2024
Total cash provided by (used for):		
Operating activities	\$ 2,582	\$ 3,082
Investing activities	(2,236)	(2,918)
Financing activities	(369)	(28)
Effects of exchange rate changes on foreign currency cash and restricted cash	71	(7)
Increase (decrease) in cash and restricted cash	\$ 48	\$ 129

Cash provided by operating activities for the six months ended June 30, 2025 was lower than in the 2024 period. Activity for the six months ended June 30, 2025 primarily reflected a higher level of losses paid than in the 2024 period.

Cash used for investing activities for the six months ended June 30, 2025 was lower than in the 2024 period. Activity for the six months ended June 30, 2025 reflected lower net purchases of investments than in the 2024 period, due in part to a higher level of repurchases under our share repurchase program and a higher level of losses paid than in the 2024 period.

Cash used for financing activities for the six months ended June 30, 2025 was higher than in the 2024 period, primarily due to the higher level of repurchases under our share repurchase program. We repurchased \$359 million of our common shares in the 2025 period, compared to nil in the 2024 period.

CAPITAL RESOURCES

The following table provides an analysis of our capital structure:

	June 30, 2025	December 31, 2024
Senior notes	\$ 2,728	\$ 2,728
Shareholders' equity available to Arch:		
Series F non-cumulative preferred shares	\$ 330	\$ 330
Series G non-cumulative preferred shares	500	500
Common shareholders' equity	22,211	19,990
Total	\$ 23,041	\$ 20,820
Total capital available to Arch	\$ 25,769	\$ 23,548
Debt to total capital (%)	10.6	11.6
Preferred to total capital (%)	3.2	3.5
Debt and preferred to total capital (%)	13.8	15.1

Arch MI U.S. is required to maintain compliance with the GSEs requirements, known as the Private Mortgage Insurer Eligibility Requirements or "PMIERs." The financial requirements require an eligible mortgage insurer's available assets, which generally include only the most liquid assets of an insurer, to meet or exceed "minimum required assets" as of each quarter end. Minimum required assets are calculated from PMIERs tables with several risk dimensions (including origination year, original loan-to-value and original credit score of performing loans, and the delinquency status of non-performing loans) and are subject to a minimum amount. Arch MI U.S. satisfied the PMIERs' financial requirements with an estimated PMIER sufficiency ratio of 168% at June 30, 2025, compared to 186% at December 31, 2024. On August 21, 2024, Fannie Mae and Freddie Mac each updated their PMIERs to incorporate new deductions to available assets for investment risk. This update became effective on March 31, 2025, but the impact will be phased in through September 30, 2026. If the GSEs had fully implemented this update to PMIERs as of June 30, 2025, the changes would have reduced the available assets by 17% and resulted in a pro-forma PMIERs sufficiency ratio of 147%.

Arch Capital, through its subsidiaries, provides financial support to certain of its insurance subsidiaries and affiliates, through certain reinsurance arrangements beneficial to the ratings of such subsidiaries. Historically, our insurance, reinsurance and mortgage insurance subsidiaries have entered into separate reinsurance arrangements with Arch Re Bermuda covering individual lines of business.

GUARANTOR INFORMATION

The below table provides a description of our senior notes payable at June 30, 2025:

Issuer/Due	Interest (Fixed)	Principal Amount	Carrying Amount
Arch Capital:			
May 1, 2034	7.350 %	\$ 300	\$ 298
June 30, 2050	3.635 %	1,000	990
Arch-U.S.:			
Nov. 1, 2043 (1)	5.144 %	500	495
Arch Finance:			
Dec. 15, 2026 (1)	4.011 %	500	499
Dec. 15, 2046 (1)	5.031 %	450	446
Total		\$ 2,750	\$ 2,728

(1) Fully and unconditionally guaranteed by Arch Capital.

Our senior notes were issued by Arch Capital, Arch Capital Group (U.S.) Inc. ("Arch-U.S.") and Arch Capital Finance LLC ("Arch Finance"). Arch-U.S. is a wholly-owned subsidiary of Arch Capital and Arch Finance is a wholly-owned finance subsidiary of Arch-U.S. Our 2034 senior notes and 2050 senior notes issued by Arch Capital are unsecured and unsubordinated obligations of Arch Capital and ranked equally with all of its existing and future unsecured and unsubordinated indebtedness. The 2043 senior notes issued by Arch-U.S. are unsecured and unsubordinated obligations of Arch-U.S. and Arch Capital and rank equally and ratably with the other unsecured and unsubordinated indebtedness of Arch-U.S. and Arch Capital. The 2026 senior notes and 2046 senior notes issued by Arch Finance are unsecured and unsubordinated obligations of Arch Finance and Arch Capital and rank equally and ratably with the other unsecured and unsubordinated indebtedness of Arch Finance and Arch Capital.

adverse conditions for key economic indicators, the most significant of which is a decline in home prices. The RDS model projects paths of future home prices, unemployment rates, income levels and interest rates and assumes correlation across states and geographic regions. The resulting future performance of our in-force portfolio is then estimated under the economic stress scenario, reflecting loan and borrower information.

Currently, we seek to limit our modeled RDS loss from a severe economic event to approximately 25% of tangible shareholders' equity available to Arch. We reserve the right to change this threshold at any time. Based on in-force exposure estimated as of July 1, 2025, our modeled RDS loss was approximately \$1.2 billion, or 5.5% of tangible shareholders' equity available to Arch.

Net probable maximum loss estimates are net of expected reinsurance recoveries, before income tax and before excess reinsurance reinstatement premiums. RDS loss estimates are net of expected reinsurance recoveries and before income tax. Catastrophe loss estimates are reflective of the zone indicated and not the entire portfolio. Since hurricanes and windstorms can affect more than one zone and make multiple landfalls, our catastrophe loss estimates include clash estimates from other zones. Our catastrophe loss estimates and RDS loss estimates do not represent our maximum exposures and it is highly likely that our actual incurred losses would vary materially from the modeled estimates. There can be no assurances that we will not suffer pre-tax losses greater than 25% of our tangible shareholders' equity from one or more catastrophic events or severe economic events due to several factors. These factors include the inherent uncertainties in estimating the frequency and severity of such events and the margin of error in making such determinations resulting from potential inaccuracies and inadequacies in the data provided by clients and brokers, the modeling techniques and the application of such techniques or as a result of a decision to change the percentage of shareholders' equity exposed to a single catastrophic event or severe economic event. In addition, actual losses may increase if our reinsurers fail to meet their obligations to us or the reinsurance protections purchased by us are exhausted or are otherwise unavailable. See "Risk Factors—Risks Relating to Our Industry" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Catastrophic Events and Severe Economic Events" in our 2024 Form 10-K.

MARKET SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

In accordance with the SEC's Financial Reporting Release No. 48, we performed a sensitivity analysis to determine the effects that market risk exposures could have on the future earnings, fair values or cash flows of our financial instruments as of June 30, 2025. Market risk represents the risk of changes in the fair value of a financial instrument and is comprised of several components, including liquidity, basis and price risks.

An analysis of material changes in market risk exposures at June 30, 2025 that affect the quantitative and qualitative disclosures presented in our 2024 Form 10-K (see section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Sensitive Instruments and Risk Management") were as follows:

Investment Market Risk

Fixed Income Securities. We invest in interest rate sensitive securities, which are primarily debt securities. We consider the effect of interest rate movements on the fair value of our fixed maturities, short-term investments and certain of our other investments, equity securities and investments accounted for using the equity method which invest in fixed income securities (collectively, "Fixed Income Securities") and the corresponding change in unrealized appreciation. As interest rates rise, the fair value of our Fixed Income Securities falls, and the converse is also true. Based on historical observations, there is a low probability that all interest rate yield curves would shift in the same direction at the same time. Furthermore, at times interest rate movements in certain credit sectors exhibit a much lower correlation to changes in U.S. Treasury yields. Accordingly, the actual effect of interest rate movements may differ materially from the amounts set forth in the following tables.

The following table summarizes the effect that an immediate, parallel shift in the interest rate yield curve would have had on our Fixed Income Securities:

(U.S. dollars in billions)	Interest Rate Shift in Basis Points				
	-100	-50	—	+50	+100
June 30, 2025					
Total fair value	\$ 43.6	\$ 43.0	\$ 42.3	\$ 41.7	\$ 41.1
Change from base	2.9 %	1.5 %		(1.5)%	(2.9)%
Change in unrealized value	\$ 1.2	\$ 0.6		\$ (0.6)	\$ (1.2)
December 31, 2024					
Total fair value	\$ 40.0	\$ 39.5	\$ 38.9	\$ 38.4	\$ 37.9
Change from base	2.8 %	1.4 %		(1.4)%	(2.7)%
Change in unrealized value	\$ 1.1	\$ 0.5		\$ (0.5)	\$ (1.1)

In addition, we consider the effect of credit spread movements on the market value of our Fixed Income Securities and the corresponding change in unrealized value. As credit spreads widen, the fair value of our Fixed Income Securities falls, and the converse is also true. In periods where the spreads on our Fixed Income Securities are much higher than their historical average due to short-term market dislocations, a parallel shift in credit spread levels would result in a much more pronounced change in unrealized value.

The following table summarizes the effect that an immediate, parallel shift in credit spreads in a static interest rate environment would have had on our Fixed Income Securities:

(U.S. dollars in billions)	Credit Spread Shift in Percentage Points				
	-100	-50	—	+50	+100
June 30, 2025					
Total fair value	\$ 43.6	\$ 43.0	\$ 42.3	\$ 41.7	\$ 41.1
Change from base	3.0 %	1.5 %		(1.5)%	(3.0)%
Change in unrealized value	\$ 1.3	\$ 0.6		\$ (0.6)	\$ (1.3)
December 31, 2024					
Total fair value	\$ 40.0	\$ 39.5	\$ 38.9	\$ 38.4	\$ 37.8
Change from base	2.8 %	1.4 %		(1.4)%	(2.8)%
Change in unrealized value	\$ 1.1	\$ 0.5		\$ (0.5)	\$ (1.1)

Another method that attempts to measure portfolio risk is Value-at-Risk (“VaR”). VaR measures the worst expected loss under normal market conditions over a specific time interval at a given confidence level. The 1-year 95th percentile parametric VaR reported herein estimates that 95% of the time, the portfolio loss in a one-year horizon would be less than or equal to the calculated number, stated as a percentage of the measured portfolio’s initial value. The VaR is a variance-covariance based estimate, based on linear sensitivities of a portfolio to a broad set of systematic market risk factors and idiosyncratic risk factors mapped to the portfolio exposures. The relationships between the risk

factors are estimated using historical data, and the most recent data points are generally given more weight. As of June 30, 2025, our portfolio’s 95th percentile VaR was estimated to be 6.5%, compared to an estimated 5.6% at December 31, 2024. In periods where the volatility of the risk factors mapped to our portfolio’s exposures is higher due to market conditions, the resulting VaR is higher than in other periods.

Equity Securities. At June 30, 2025 and December 31, 2024, the fair value of our investments in equity securities and certain investments accounted for using the equity method with underlying equity strategies totaled \$1.6 billion and \$1.5 billion, respectively. These investments are exposed to price risk, which is the potential loss arising from decreases in fair value. An immediate hypothetical 10% decline in the value of each position would reduce the fair value of such investments by approximately \$163 million and \$149 million at June 30, 2025 and December 31, 2024, respectively, and would have decreased book value per share by approximately \$0.43 and \$0.40, respectively. An immediate hypothetical 10% increase in the value of each position would increase the fair value of such investments by approximately \$163 million and \$149 million at June 30, 2025 and December 31, 2024, respectively, and would have increased book value per share by approximately \$0.43 and \$0.40, respectively.

Investment-Related Derivatives. At June 30, 2025, the notional value of all derivative instruments (excluding foreign currency forward contracts which are included in the foreign currency exchange risk analysis below) was \$10.2 billion, compared to \$5.0 billion at December 31, 2024. If the underlying exposure of each investment-related derivative held at June 30, 2025 depreciated by 100 basis points, it would have resulted in a reduction in net income of approximately \$102 million, and a decrease in book value per share of approximately \$0.27 per share, compared to \$50 million and \$0.13 per share, respectively, on investment-related derivatives held at December 31, 2024. If the underlying exposure of each investment-related derivative held at June 30, 2025 appreciated by 100 basis points, it would have resulted in an increase in net income of approximately \$102 million, and an increase in book value per share of approximately \$0.27 per share, compared to \$50 million and \$0.13 per share, respectively, on investment-related derivatives held at December 31, 2024. See [note 10, “Derivative Instruments,”](#) to our consolidated financial statements for additional disclosures concerning derivatives.

For further discussion on investment activity, please refer to “Financial Condition—Investable Assets.”

Foreign Currency Exchange Risk

Foreign currency rate risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Through our subsidiaries and branches located in various foreign countries, we conduct our insurance and reinsurance operations in a variety of local currencies other than the U.S. Dollar. We generally hold investments in foreign currencies which are intended to mitigate our exposure to foreign currency fluctuations in our net insurance liabilities. We may also utilize foreign currency forward contracts and currency options as part of our investment strategy. See [note 10, “Derivative Instruments,”](#) to our consolidated financial statements for additional information.

The following table provides a summary of our net foreign currency exchange exposures, as well as foreign currency derivatives in place to manage these exposures:

	June 30, 2025	December 31, 2024
Net assets (liabilities), denominated in foreign currencies, excluding shareholders' equity and derivatives	\$ (464)	\$ (815)
Shareholders' equity denominated in foreign currencies (1)	1,200	1,120
Net foreign currency forward contracts outstanding (2)	279	453
Net exposures denominated in foreign currencies	\$ 1,015	\$ 758
Pre-tax impact of a hypothetical 10% appreciation of the U.S. Dollar against foreign currencies:		
Shareholders' equity	\$ (102)	\$ (76)
Book value per share	\$ (0.27)	\$ (0.20)
Pre-tax impact of a hypothetical 10% decline of the U.S. Dollar against foreign currencies:		
Shareholders' equity	\$ 102	\$ 76
Book value per share	\$ 0.27	\$ 0.20

(1) Represents capital contributions held in the foreign currencies of our operating units.

(2) Represents the net notional value of outstanding foreign currency forward contracts.

Although we generally attempt to match the currency of our projected liabilities with investments in the same currencies, from time to time we may elect to over or underweight one or more currencies, which could increase our exposure to foreign currency fluctuations and increase the volatility of our shareholders' equity. Historical observations indicate a low probability that all foreign currency exchange rates would shift against the U.S. Dollar in the same direction and at the same time and, accordingly, the actual effect of foreign currency rate movements may differ materially from the amounts set forth above. For further discussion on foreign exchange activity, please refer to “Results of Operations.”

Effects of Inflation

General economic inflation has increased in recent quarters and may continue to remain at elevated levels for an extended period of time. The potential also exists, after a catastrophe loss or pandemic events, for the development of inflationary pressures in a local economy. This risk may be heightened from time to time by geopolitical tensions, global supply chain disruptions, tariffs, and other contributing factors. This may have a material effect on the adequacy of our reserves for losses and loss adjustment expenses, especially in longer-tailed lines of business, and on the market value of our investment portfolio through rising interest rates. The anticipated effects of inflation are considered in our pricing models, reserving processes and exposure management, across all lines of business and types of loss including natural catastrophe events. The actual effects of inflation on our results cannot be accurately known until claims are ultimately settled and will vary by the specific type of inflation affecting each line of business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the information appearing above under the subheading “Market Sensitive Instruments and Risk Management” under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which information is hereby incorporated by reference.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the filing of this Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the Company’s disclosure controls and procedures, as of the end of the period covered by this report, for the purposes set forth in the applicable rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation and subject to the below, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report. Disclosure controls and procedures are the controls and other procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

On August 1, 2024, we completed the MCE Acquisition, and we are currently integrating the MCE Acquisition into our internal control system. Consistent with guidance issued by the SEC, we are excluding the internal control over financial reporting of MCE Acquisition from our evaluation of the effectiveness of our disclosure controls and procedures described above as of June 30, 2025. The MCE Acquisition represents 1.4% of total assets, and 7.8% of total revenues as of June 30, 2025.

Changes in Internal Control Over Financial Reporting

Other than the item noted above, there have been no changes in internal control over financial reporting that occurred during the quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We, in common with the insurance industry in general, are subject to litigation and arbitration in the normal course of our business. As of June 30, 2025, we were not a party to any litigation or arbitration which is expected by management to have a material adverse effect on our results of operations and financial condition and liquidity.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer's Repurchases of Equity Securities

The following table summarizes our purchases of common shares for the 2025 second quarter:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan or Programs (\$000's) (2)
4/1/2025-4/30/2025	1,152,118	\$ 86.80	1,152,038	\$ 700,394
5/1/2025-5/31/2025	84,298	\$ 89.91	84,298	\$ 692,816
6/1/2025-6/30/2025	619,815	\$ 89.84	619,815	\$ 637,143
Total	1,856,231	\$ 87.96	1,856,151	

- (1) This column represents (in whole shares) open market share repurchases, including an aggregate of 80 shares, nil shares and nil shares repurchased by Arch Capital during April, May and June, respectively, other than through publicly announced plans or programs. We repurchased these shares from employees in order to facilitate the payment of withholding taxes on restricted and performance shares granted and the exercise of stock appreciation rights, in each case at their fair value as determined by reference to the closing price of our common shares on the day the restricted shares vested or the stock appreciation rights were exercised.
- (2) This column represents the remaining approximate dollar amount available at the end of each applicable period under Arch Capital's \$1.0 billion share repurchase authorization, authorized by the Company's Board of Directors on December 20, 2024, and having no expiration date. Repurchases may be effected from time to time in open market or privately negotiated transactions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2025, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Original Number	Date Filed	
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
10.1	Form of Restricted Share Agreement between ACGL and each of the Non-Employee Directors of ACGL[†]				X
10.2	ACGL Amended and Restated 2018 Long Term Incentive and Share Award Plan[†]				X
10.3	ACGL Amended and Restated 2022 Long Term Incentive and Share Award Plan[†]				X
10.4	Second Amended and Restated ACGL 2007 Employee Share Purchase Plan[†]				X
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				
†	Management contract or compensatory plan or arrangement				

SIGNATURES

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

ARCH CAPITAL GROUP LTD.

(REGISTRANT)

Date: August 5, 2025

/s/ Nicolas Papadopoulos

Nicolas Papadopoulos

Chief Executive Officer (Principal Executive Officer)

Date: August 5, 2025

/s/ François Morin

François Morin

Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Treasurer