



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2011
OF THE CONDITION AND AFFAIRS OF THE

Arch Reinsurance Company

NAIC Group Code 1279 1279 NAIC Company Code 10348 Employer's ID Number 06-1430254
(Current) (Prior)

Organized under the Laws of Nebraska, State of Domicile or Port of Entry Nebraska

Country of Domicile United States of America

Incorporated/Organized 07/20/1995 Commenced Business 07/20/1995

Statutory Home Office 10306 Regency Parkway Drive, Omaha, NE 68113
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 360 Mt. Kemble Avenue, P.O. Box 1988
(Street and Number)
Morristown, NJ 07962-1988, 973-898-9575
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 360 Mt. Kemble Avenue, P.O. Box 1988, Morristown, NJ 07962-1988
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 360 Mt. Kemble Avenue, P.O. Box 1988
(Street and Number)
Morristown, NJ 07962-1988, 973-898-9575
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.archreco.com

Statutory Statement Contact Thomas David Beesley, 973-889-6471
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OFFICERS

President Timothy John Olson Chief Financial Officer Barry Eric Golub
Secretary Janet Louise Kummert

OTHER

DIRECTORS OR TRUSTEES

Gary Blumsohn James Christopher Franson David Evan Gansberg
Barry Eric Golub Marc Grandisson Lawrence Francis Harr
Timothy John Olson John Fredrick Rathgeber Dale George Vincent, Jr.

State of New Jersey SS:
County of Morris

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Timothy J. Olson
President

Janet L. Kummert
Secretary

Barry E. Golub
Chief Financial Officer

Subscribed and sworn to before me this
9th day of November 2011

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number.....
2. Date filed
3. Number of pages attached.....

Stephanie P. Seifert
Notary Public of New Jersey
August 11, 2013

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	483,691,398		483,691,398	458,636,791
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	560,494,394	2,058,118	558,436,276	583,328,243
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)		0	0	0
5. Cash (\$58,034,710), cash equivalents (\$0) and short-term investments (\$9,080,507)	67,115,217		67,115,217	45,206,676
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets			0	0
9. Receivables for securities	5,911,240		5,911,240	3,981
10. Securities lending reinvested collateral assets	8,041,746		8,041,746	2,533,558
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,125,253,995	2,058,118	1,123,195,877	1,089,709,249
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	3,480,660		3,480,660	4,876,048
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	8,380,146	1,697,724	6,682,422	8,641,531
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	85,827,148		85,827,148	67,546,228
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	29,690,439		29,690,439	25,132,402
16.2 Funds held by or deposited with reinsured companies	1,579,829		1,579,829	1,466,668
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset	19,184,720	12,272,059	6,912,661	5,144,818
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software	169,226		169,226	95,015
21. Furniture and equipment, including health care delivery assets (\$)	513,180	513,180	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	362,807		362,807	207,781
23. Receivables from parent, subsidiaries and affiliates	751,477		751,477	0
24. Health care (\$) and other amounts receivable			0	0
25. Aggregate write-ins for other than invested assets	2,318,598	493,228	1,825,370	4,744,410
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,277,512,225	17,034,309	1,260,477,916	1,207,564,150
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	1,277,512,225	17,034,309	1,260,477,916	1,207,564,150
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Advance Claim Payments	1,753,388		1,753,388	4,688,416
2502. Other	71,982		71,982	55,994
2503. Prepaid Expenses	493,228	493,228	0	
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	2,318,598	493,228	1,825,370	4,744,410

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 60,423,313)	194,440,561	162,953,654
2. Reinsurance payable on paid losses and loss adjustment expenses	3,582,128	376,084
3. Loss adjustment expenses	22,873,473	21,547,811
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	7,566,727	5,043,789
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))	6,314,314	5,340,827
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 98,396,310 and including warranty reserves of \$)	68,489,257	28,470,699
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	64,234,677	78,102,760
13. Funds held by company under reinsurance treaties		0
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance	420,915	446,879
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		57,797
20. Derivatives		
21. Payable for securities	10,006,190	
22. Payable for securities lending	8,041,746	2,533,558
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	31,301,782	32,089,961
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	417,271,770	336,963,819
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	417,271,770	336,963,819
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes		0
34. Gross paid in and contributed surplus	632,293,225	615,418,804
35. Unassigned funds (surplus)	205,912,921	250,181,527
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 \$)		
36.2 shares preferred (value included in Line 31 \$)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	843,206,146	870,600,331
38. Totals (Page 2, Line 28, Col. 3)	1,260,477,916	1,207,564,150
DETAILS OF WRITE-INS		
2501. Deposit Accounting Liability	31,301,782	32,089,961
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	31,301,782	32,089,961
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998)(Line 29 above)	0	0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298)(Line 32 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 0)	0	5,002	5,002
1.2 Assumed (written \$ 269,058,309)	249,423,469	257,582,872	340,736,953
1.3 Ceded (written \$ 150,630,058)	171,013,777	207,241,032	274,100,494
1.4 Net (written \$ 118,428,251)	78,409,692	50,346,842	66,641,461
DEDUCTIONS:			
2. Losses incurred (current accident year \$ 69,639,601):			
2.1 Direct	(16,882)	(60,851)	(238,612)
2.2 Assumed	132,995,492	116,866,652	152,255,365
2.3 Ceded	73,713,342	91,368,459	118,400,393
2.4 Net	59,265,268	25,437,342	33,616,360
3. Loss adjustment expenses incurred	4,225,426	3,775,061	5,075,853
4. Other underwriting expenses incurred	30,602,675	12,153,002	23,342,163
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	94,093,369	41,365,405	62,034,376
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7)	(15,683,677)	8,981,437	4,607,085
INVESTMENT INCOME			
9. Net investment income earned	9,347,834	9,902,800	13,064,051
10. Net realized capital gains (losses) less capital gains tax of \$ 532,089	988,166	3,100,461	3,492,874
11. Net investment gain (loss) (Lines 9 + 10)	10,336,000	13,003,261	16,556,925
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income	14,575	17,746	(362,301)
15. Total other income (Lines 12 through 14)	14,575	17,746	(362,301)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(5,333,102)	22,002,444	20,801,709
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(5,333,102)	22,002,444	20,801,709
19. Federal and foreign income taxes incurred	1,005,291	5,404,043	3,913,523
20. Net income (Line 18 minus Line 19)(to Line 22)	(6,338,393)	16,598,401	16,888,186
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	870,600,331	850,473,102	850,473,102
22. Net income (from Line 20)	(6,338,393)	16,598,401	16,888,186
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains (losses) less capital gains tax of \$	(38,727,175)	(7,106,302)	(17,782,459)
25. Change in net unrealized foreign exchange capital gain (loss)	155,026	12,886	408,079
26. Change in net deferred income tax	4,903,131	(352,599)	(775,923)
27. Change in nonadmitted assets	(4,287,159)	1,478,842	1,114,129
28. Change in provision for reinsurance	25,964	468	39,438
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in	16,874,421	15,780,293	20,235,779
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			0
37. Aggregate write-ins for gains and losses in surplus	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37)	(27,394,185)	26,411,989	20,127,229
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	843,206,146	876,885,091	870,600,331
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598)(Line 5 above)	0	0	0
1401. Deposit accounting interest (income) expense	14,575	17,746	(362,301)
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498)(Line 14 above)	14,575	17,746	(362,301)
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. Totals (Lines 3701 through 3703 plus 3798)(Line 37 above)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	87,769,205	41,829,810	62,166,843
2. Net investment income	13,631,127	12,374,162	15,343,237
3. Miscellaneous income	(98,586)	(454,880)	(1,154,901)
4. Total (Lines 1 to 3)	101,301,746	53,749,092	76,355,179
5. Benefit and loss related payments	26,195,326	25,364,883	35,670,663
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	30,979,501	17,015,330	33,473,265
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	563,893	287,382	1,116,889
10. Total (Lines 5 through 9)	57,738,720	42,667,595	70,260,817
11. Net cash from operations (Line 4 minus Line 10)	43,563,026	11,081,496	6,094,362
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	191,001,818	308,772,917	385,899,882
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	10,006,190	5,092,795	5,037,514
12.8 Total investment proceeds (Lines 12.1 to 12.7)	201,008,008	313,865,712	390,937,396
13. Cost of investments acquired (long-term only):			
13.1 Bonds	217,389,340	322,390,660	397,376,501
13.2 Stocks	14,229,432	13,625,279	17,538,523
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	2,533,558
13.6 Miscellaneous applications	11,415,447	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	243,034,219	336,015,939	417,448,582
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(42,026,211)	(22,150,227)	(26,511,186)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	16,874,421	15,780,293	20,235,779
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	(788,179)	(2,298,355)	(2,687,279)
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	4,285,482	560,662	3,158,594
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	20,371,724	14,042,600	20,707,094
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	21,908,539	2,973,869	290,270
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	45,206,677	44,916,407	44,916,407
19.2 End of period (Line 18 plus Line 19.1)	67,115,216	47,890,277	45,206,677

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. 7.1 Non-Cash Compensation	2,081,095	1,867,632	2,369,943
20.0002. 9.0 Federal Tax Benefits	563,893	287,383	327,314
20.0003. 13.2 Cost of Affiliate Investment Acquired - Stocks	14,229,432	13,625,279	17,538,513
20.0004. 16.2 Capital Paid in Surplus	14,229,432	13,625,279	17,538,513
20.0005. 16.2 Capital Paid in Surplus	2,051,833	1,659,271	2,046,745
20.0006. 16.2 Capital Paid in Surplus	593,156	495,744	650,512

NOTES TO FINANCIAL STATEMENTS**1. Summary of Significant Accounting Policies****A. Accounting Practices**

The accompanying financial statements of Arch Reinsurance Company (the “Company”) have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Nebraska Department of Insurance.

The Company currently closes its accounting systems for written premium and reported losses approximately two weeks prior to the end of each calendar quarter. However, premiums written are estimated and earned through the end of each calendar quarter and incurred losses, including IBNR, are calculated based upon the full quarterly earned premium and an ultimate loss ratio is estimated. All cash related activity is recorded on the balance sheet through the end of the calendar quarter period to reflect cash that has been remitted or paid by the Company.

- B. Use of Estimates in Preparation of the Financial Statements “no change”
C. Accounting Policies “no change”

2. Accounting Changes and Corrections of Errors

A. The Company made no material changes to accounting principles and no correction of errors.

- B. Accounting Changes as a Result of Codification “no change”

3. Business Combinations and Goodwill

- A. Statutory Purchase Method “no change”
B. Statutory Merger Method “no change”
C. Impairment Loss “no change”

4. Discontinued Operations “no change”**5. Investments**

- A. Mortgage Loans “no change”
B. Debt Restructuring for Creditors “no change”
C. Reverse Mortgages “no change”
D. Loan-backed Securities

- (1) Prepayment assumptions are provided by a proprietary modeling system based on market standard modeling techniques across a broad set of mortgage loan types with model specifications varying based on underlying loan type.
- (2) The Company did not recognize any other-than-temporary impairments on loan-backed securities during the period.
- (3) The Company did not recognize any other-than-temporary impairments on loan-backed securities during the period.

NOTES TO FINANCIAL STATEMENTS

- (4) The following table summarizes gross unrealized investment losses on loan-back and structured securities by the length of time that securities have been continuously been in an unrealized loss position.

(All amounts in thousands)

	Less than 12 months		12 months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Single class mortgage-backed securities						
Multi-class residential mortgage-backed securities	\$0	\$0	\$62	\$(9)	\$62	\$(9)
Multi-class commercial mortgage-backed/asset-backed securities	\$4,998	\$(2)			\$4,998	\$(2)
Total	\$4,998	\$(2)	\$62	\$(9)	\$5,060	\$(11)

- (5) All loan-backed and structured securities in an unrealized loss position were reviewed to determine whether an other-than-temporary impairment should be recognized. There is one security in an unrealized loss position as of September 30, 2011, the Company has not made a decision to sell such security.. The Company has evaluated its cash flow requirements and believes that its liquidity is adequate and it will not be required to sell these securities before recovery of their cost basis. As of September 30, 2011, the Company can assert that it has the intent and believes that it has the ability to hold these securities long enough to allow the cost basis of this security to be recovered. The conclusions are supported by a detailed analysis of the underlying credit and cash flows on the security. Unrealized losses are primarily attributable to credit spread widening and increased liquidity discounts. It is possible that the Company could recognize other-than-temporary impairments in the future on some of the securities held at September 30, 2011 if future events, information and the passage of time causes it to conclude that declines in value are other-than-temporary.

E. Repurchased Agreements and/or Securities Lending Transactions "no change"
 F. Real Estate impairments and retail land sales "no change"
 G Low Income Housing Tax credits "no change"

6. **Joint Ventures, Partnerships and Limited Liability Companies** "no change"

7. **Investment Income** "no change"

8. **Derivative Instruments** "no change"

NOTES TO FINANCIAL STATEMENTS**9. Income Taxes (all amounts in thousands)**

A. The components of the net deferred tax asset recognized in the Company's Assets, liabilities, and Surplus are as follows:

1.

	9/30/2011			12/31/2010			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) Ordinary	(8) Capital	(9) (Col 7+8) Total
(a) Gross deferred tax assets	19,495	6	19,501	14,538	6	14,544	4,957	-	4,957
(b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
(c) Adjusted gross Deferred Tax Asset (1a-1b)	19,495	6	19,501	14,538	6	14,544	4,957	-	4,957
(d) Gross deferred tax liabilities	(317)	-	(317)	(262)	-	(262)	(55)	-	(55)
(e) Subtotal (Net Deferred Tax Asset) (1c-1d)	19,178	6	19,184	14,276	6	14,282	4,902	-	4,902
(f) Deferred Tax Asset Nonadmitted	(12,272)	-	(12,272)	(9,137)	-	(9,137)	(3,135)	-	(3,135)
(g) Net Admitted Deferred tax Asset (1e-1f)	6,906	6	6,912	5,139	6	5,145	1,767	-	1,767

2. The company has not elected to admit additional DTAs pursuant to SSAP 10R, paragraph 10(e). the current period election does not differ from the prior reporting period.

3. Not applicable.

4.

4	9/30/2011			12/31/2010			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) Ordinary	(8) Capital	(9) (Col 7+8) Total
Admission Calculation Components - SSAP 10R, paragraphs 10a, 10b, and 10c:									
(a) Admitted gross DTAs (Paragraph 10a.)	-	-	-	5,139	6	5,145	(5,139)	(6)	(5,145)
(b) Admitted gross DTAs (Paragraph 10b.)	6,907	6	6,913	-	-	-	6,907	6	6,913
(c) Admitted gross DTAs (Paragraph 10b.i.)	6,907	6	6,913	-	-	-	6,907	6	6,913
(d) Admitted gross DTAs (Paragraph 10b.ii.)	86,529	-	86,529	84,520	-	84,520	2,009	-	2,009
(e) Admitted gross DTAs (Paragraph 10c.)	317	-	317	262	-	262	55	-	55
(f) Total (4a+4b+4e)	7,224	6	7,230	5,401	6	5,407	1,823	-	1,823
Admission Calculation Components - SSAP 10R, paragraphs 10.e.:									
(g) Additional Admitted Gross DTAs (Paragraph 10e.i)	-	-	-	-	-	-	-	-	-
(h) Additional Admitted Gross DTAs (Paragraph 10e.ii)	-	-	-	-	-	-	-	-	-
(i) Additional Admitted Gross DTAs (Paragraph 10e.ii.a)	-	-	-	-	-	-	-	-	-
(j) Additional Admitted Gross DTAs (Paragraph 10e.ii.b)	XXX	XXX	-	XXX	XXX	-	XXX	XXX	-
(k) Additional Admitted Gross DTAs (Paragraph 10e.iii)	-	-	-	-	-	-	-	-	-
(l) Total (4g +4h+4k)	-	-	-	-	-	-	-	-	-
Used in SSAP 10R, Paragraph 10.d:									
(m) Total Adjusted Capital	XXX	XXX	870,600	XXX	XXX	870,600	XXX	XXX	-
(n) Authorized Control Level	XXX	XXX	288,332	XXX	XXX	288,332	XXX	XXX	-

5.

5	9/30/2011			12/31/2010			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) Ordinary	(8) Capital	(9) (Col 7+8) Total
SSAP 10R, Paragraphs 10.a., 10.b., and 10.c.:									
(a) Admitted Deferred Tax Assets	6,907	6	6,913	5,139	6	5,145	1,768	-	1,768
(b) Admitted Assets	XXX	XXX	-	XXX	XXX	-	XXX	XXX	-
(c) Adjusted Statutory Surplus*	XXX	XXX	-	XXX	XXX	-	XXX	XXX	-
(d) Total Adjusted Capital from DTAs	XXX	XXX	6,913	XXX	XXX	5,145	XXX	XXX	1,768
Increase due to SSAP 10R, paragraph 10e									
(e) Admitted Deferred Tax Assets	-	-	-	-	-	-	-	-	-
(f) Admitted Assets	-	-	-	-	-	-	-	-	-
(g) Statutory Surplus	-	-	-	-	-	-	-	-	-

*As reported on the Statutory balance sheet for the most recently filed statement with domiciliary state commissioner in accordance with SSAP No. 10R, Paragraph 10bii.

6.

		September 30, 2011		
Impact of Tax Planning Strategies		Ordinary	Capital	Total %
a.	Adjusted Gross DTAs (% of Total Adjusted Gross DTA)	0.0%	0.0%	0.0%
b.	Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0.0%	0.1%	0.1%

B. Unrecognized DTL's: None

NOTES TO FINANCIAL STATEMENTS

C. Current federal income taxes incurred consist of the following major components (in thousands):

1. Current Income Tax:

Description	Sep 30, 2011	Dec 31, 2010	Change
Current year income tax expense	1,005	3,788	(2,783)
Prior year underaccrual (overaccrual)	0	125	(125)
Subtotal - Federal income tax expense	1,005	3,913	(2,908)
Federal income taxes on net realized gains (losses)	532	1,881	(1,349)
Federal income tax incurred	1,537	5,794	(4,257)

2. Deferred Tax Assets:

	Sep 30, 2011	Dec 31, 2010	Change
(a) Ordinary:			
Discounting of unpaid losses	9,869	8,379	1,490
Unearned premium reserve	4,794	1,993	2,801
AMT	-	-	-
Deferred compensation	2,693	2,439	254
Nonadmitted assets	1,667	1,264	403
Unrealized depreciation on foreign exchange	-	-	-
Other ordinary tax assets	472	463	9
Subtotal	19,495	14,538	4,957
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted assets	(12,272)	(9,137)	(3,135)
(d) Admitted ordinary deferred tax assets	7,223	5,401	1,822
(e) Capital:			
Investments	6	6	-
Other capital tax assets	-	-	-
Subtotal	6	6	-
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted assets	-	-	-
(h) Admitted ordinary deferred tax assets	6	6	-
(i) Admitted deferred tax assets	7,229	5,407	1,822

3. Deferred Tax Liabilities:

	Sep 30, 2011	Dec 31, 2010	Change
(a) Ordinary:			
Investments	190	190	-
Unrealized appreciation on foreign exchange	127	73	54
Other ordinary tax liabilities	-	-	-
Subtotal	317	263	54
(b) Capital:			
Unrealized appreciation on investments	-	-	-
Other capital tax liabilities	-	-	-
Subtotal	-	-	-
(c) Deferred tax liabilities	317	263	54

The change in net deferred income taxes is comprised of the following:

	Sep 30, 2011	Dec 31, 2010	Change
Gross deferred tax assets	19,501	14,544	4,957
Gross deferred tax liabilities	(317)	(262)	(55)
Net deferred tax asset	19,184	14,282	4,902
Tax effect of unrealized capital gains/ losses			-
Tax effect of unrealized foreign exchange gains/ losses			54
Change in net deferred income tax [(charge)/benefit]			4,956

NOTES TO FINANCIAL STATEMENTS

D. Reconciliation of Federal Income Tax Rate

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

Description	Amount	Tax Effect 35%	Effective Tax Rate
Statutory income before taxes	(5,333)		
Tax on realized gains/losses	532		
Income before taxes	(4,801)	(1,681)	35.0%
Tax exempt interest, net of proration	(3,984)	(1,394)	29.0%
Travel and entertainment	40	15	-0.3%
Prior year underaccrual (overaccrual)	0	0	0.0%
Other non-deductible items	125	44	-0.9%
Change in non-admitted assets	(1,151)	(403)	8.4%
Total	(9,771)	(3,419)	71.2%
Federal income tax incurred		1,537	-32.0%
Change in net deferred income tax [charge/(benefit)]		(4,956)	103.2%
Total statutory income taxes		(3,419)	71.2%

E. Operating Loss and Tax Credit Carry-Forwards

- (1) At September 30, 2011, the Company has no net operating loss, net capital loss or AMT credit carry-forwards.
- (2) The following are income tax expenses for 2011 and 2010 that are available for recoupment in the event of future net losses (in thousands):

Year	Amount
2011	-
2010	-

- (3) Protective Tax Deposits:

For the tax period ending September 30, 2011, and December 31, 2010, the Company had no protective tax deposits on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

- (1) For the tax period ending September 30, 2011, the Company's federal income tax return is consolidated with the following companies:

Arch Capital Group (U.S.), Inc.
Arch Excess & Surplus Insurance Company
Arch Insurance Company
Arch Insurance Group, Inc.
Arch Indemnity Insurance Company
Arch Re Facultative Underwriters Inc.
Arch Specialty Insurance Agency, Inc.
Arch Specialty Insurance Company
First American Service Corporation

- (2) The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

NOTES TO FINANCIAL STATEMENTS**10. Information Concerning Parent Subsidiaries and Affiliates**

A: Nature of Relationships

The Company is domiciled in Nebraska. The Company's ultimate parent is Arch Capital Group Ltd. ("Arch Capital"), a Bermuda-based publicly-held company with approximately \$4.5 billion in consolidated GAAP equity. Arch Capital provides insurance and reinsurance on a worldwide basis through its wholly owned subsidiaries. Arch Capital's Common Shares are traded on the NASDAQ National Market.

On March 29, 2007, the Company formed a subsidiary, Arch Re Facultative Underwriters Inc., ("ARFU") a Delaware corporation. On June 1, 2007, the Company entered into a Facultative Administrative Services Agreement ("the Administrative Agreement") with ARFU. Under the terms of the Administrative Agreement ARFU shall provide administrative services to the Company's facultative division, which provides reinsurance of commercial and personal lines. The Administrative Agreement was not disapproved by the Nebraska Department of Insurance on June 12, 2007. In May, 2007, the Company capitalized ARFU with a cash contribution of \$2.0 million.

B: Details of Transactions Greater than ½% of 1% of Admitted Assets "no change"

C. Change in Terms of Intercompany Arrangements "no change"

D. Amounts Due to or from Related Parties

The Company made the following payments during the first nine months of 2011; 1) \$609.1 thousand to its parent Arch Capital, to settle intercompany expenses for the first nine months of 2011; 2) \$305.9 thousand to its affiliate Arch Investment Management Limited, ("AIM") to settle investment advisory services for the first nine months of 2011; 3) \$3.1 million to its subsidiary Arch Insurance Group, Inc., ("Arch Insurance Group") to settle management fees of \$851 thousand and intercompany expenses of \$2.3 million for the first nine months of 2011 and 4) \$6.8 million to its subsidiary ARFU, to settle estimated administrative service fees for the first nine months of 2011.

E. Guarantees or Contingencies for Related Parties "no change"

F. Management, Service Contracts, Cost Sharing Agreements "no change"

G. Nature of Relationships That Could Affect Operations "no change"

H. Amount Dedicated for Investment in Upstream Company "no change"

I. Detail of Investments in Affiliates Greater Than 10% of Admitted Assets

The Company's statutory investment in Arch Insurance Group as of September 30, 2011 and December 31, 2010 was \$558.4 million and \$583.3 million, respectively.

J. Write-down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies "no change"

11. Debt

A. Capital Notes "no change"

B. All Other Debt

In August 2011, Arch Capital, and various designated subsidiary borrowers including the Company ("The Group") entered into a three-year agreement for a \$300 million unsecured revolving loan and letter of credit facility and a \$500 million secured letter of credit facility (the "Credit Agreement"). Under the terms of the agreement, the Company is limited to issuing \$100 million of unsecured letters of credit as part of the unsecured revolving loan. Borrowings of revolving loans may be made by Arch Capital and the Company at a variable rate based on LIBOR or an alternative base rate at the option of Arch Capital. Secured letters of credit are available for issuance on behalf of Arch Capital's insurance and reinsurance subsidiaries.

NOTES TO FINANCIAL STATEMENTS

The Credit Agreement and related documents are structured such that each party that requests a letter of credit or borrowing does so only for itself and for its own obligations. Issuance of letters of credit and borrowings under the Credit Agreement are subject to the Group's compliance with certain covenants and conditions, including absence of a material adverse change. These covenants require, among other things, that the Group maintain a debt to total capital ratio of not greater than 0.35 to 1 and consolidated tangible net worth in excess of \$3.1 billion plus 25% of future aggregate net income for each quarterly period (not including any future net losses) beginning after June 30, 2011 and 25% of future aggregate proceeds from the issuance of common or preferred equity and that the Group's principal insurance and reinsurance subsidiaries maintain at least a "B++" rating from A.M. Best. In addition, certain of the Group's subsidiaries which are party to the Credit Agreement are required to maintain minimum shareholders' equity levels. At September 30, 2011, the Group was in compliance with all covenants contained in the Credit Agreement. The Credit Agreement expires on August 18, 2014.

Including the secured letter of credit portion of the Credit Agreement, the Group has access to letter of credit facilities for up to a total of \$1.38 billion. Arch Reinsurance Ltd. ("Arch Re Bermuda") also had access to secured letter of credit facilities of approximately \$180 million as of September 30, 2011, which were primarily used to support their syndicate at Lloyd's of London, and to other secured letter of credit facilities, some of which are available on a limited basis and for limited purposes (together with the secured portion of the Credit Agreement and these letter of credit facilities, the "LOC Facilities"). The Group was in compliance with all covenants contained in the LOC Facilities at September 30, 2011. The principal purpose of the LOC Facilities is to issue, as required, evergreen standby letters of credit in favor of primary insurance or reinsurance counterparties with which the Group has entered into reinsurance arrangements to ensure that such counterparties are permitted to take credit for reinsurance obtained from the Group's reinsurance subsidiaries in United States jurisdictions where such subsidiaries are not licensed or otherwise admitted as an insurer, as required under insurance regulations in the United States, and to comply with requirements of Lloyd's of London in connection with qualifying quota share and other arrangements. The amount of letters of credit issued is driven by among other things, the timing and payment of catastrophe losses, loss development of existing reserves, the payment pattern of such reserves, the further expansion of the Group's business and the loss experience of such business.

When issued, certain letters of credit are secured by a portion of the Group's investment portfolio. In addition, the LOC Facilities also require the maintenance of certain covenants, which the group was in compliance with at September 30, 2011. The LOC facility expressly provides that the obligations of the respective Arch subsidiaries that participate are several, not joint. Security (collateral) is required to be posted by each subsidiary that is issued a secured letter of credit. However, no collateral or security is shared by the subsidiaries and one subsidiary's collateral cannot be drawn upon by another subsidiary. With respect to the unsecured letters of credit, each party is responsible for its own payments and liable only to the extent of its own commitment. Therefore, in the event of a default of the group facility, the lenders could not seize the aggregate assets to satisfy the aggregate LOC obligations. As of September 30, 2011, the Group had \$621.5 million (of which \$68.6 million relates to the Company) in outstanding letters of credit under the LOC Facilities, which were secured by investments with a market value of \$644.2 million (of which \$18.8 million relates to the Company). At September 30, 2011, the Group had \$100.0 million of borrowings outstanding under the Credit Agreement at a Company-selected variable interest rate that is based on 1 month, 3 month, or 6 month reset option terms and their corresponding term LIBOR rates plus 27.5 basis points.

12. Retirement Plans, Deferred Compensation, and Other Postretirement Plans

A. Defined Benefit Plan	"no change"
B. Defined Contribution Plan	"no change"
C. Multiemployer Plan	"no change"
D. Retirement Plan	"no change"
E. Postemployment Benefits and Compensated Absences	"no change"
F. Impact of Medicare Modernization Act on Postretirement benefits	"no change"

NOTES TO FINANCIAL STATEMENTS**13. Capital and Surplus and Shareholder's Dividend Restrictions**

A. Outstanding Shares	"no change"
B. Dividend Rate of Preferred Stock	"no change"
C. Dividend Restrictions	"no change"
D. Amount of Ordinary Dividends That May Be Paid	"no change"
E. Restrictions on Unassigned Funds	"no change"
F. Mutual Surplus Advances	"no change"
G. Company Stock held for Special Purposes	"no change"
H. Changes in Special Surplus Funds	"no change"

I. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows (in thousands):

1. Unrealized gains:	\$59,039
2. Non-admitted asset values:	\$17,034
3. Provision for reinsurance:	(\$421)

J. Issued any Surplus debentures or similar obligations	"no change"
K. Quasi-Organizations	"no change"
L. Date of quasi-reorganizations	"no change"

14. Contingencies

A. Contingent Commitments	"no change"
B. Assessments	"no change"
C. Gain Contingencies	"no change"
D. Claims related extra contractual obligation and bad faith losses stemming from law suits	"no change"
E. Other Contingencies and Impairments	"no change"

15. Leases

Rent expense for the first Nine months of 2011 was \$630 thousand.

16. Off-Balance Sheet Risk / Credit Risk

A. Financial Instruments with Off-Balance Sheet Risk, Financial Instruments with Concentration of Credit Risk	"no change"
---	-------------

17. Sale, Transfer and Servicing of Financial Assets

A. Transfer of Receivables Reported as Sales	"no change"
B. Transfer and Servicing of Financial Assets	"no change"
C. Wash Sales	"no change"

18. Gain or Loss to the Insurer from Uninsured A&H Plan

A. Administrative Services Only (ASO) Plans	"no change"
B. Administrative Services Contract (ASC) Plans	"no change"
C. Medicare or similarly structured cost based reimbursement contracts	"no change"

19. Direct Premium Written/Produced by MGA's or TPA's:	"no change"
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NOTES TO FINANCIAL STATEMENTS**20. Fair Value Measurements****A. Inputs used for Assets and Liabilities Measured at Fair Value.**

1. The company has categorized its assets and liabilities that are measured at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 – Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. It also includes derivative liabilities for written call options on common stock which are also exchange traded. The estimated fair value of the equity securities and derivatives within this category are based on quoted prices in active markets and are thus classified as Level 1. The Company has no assets or liabilities measured at fair value in this category.

Level 2 – Significant Other Observable Inputs: This category for items measured at fair value on a recurring basis includes bonds, preferred stocks and common stocks which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded (see below).

Level 3 – Significant Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category.

1 Description	2 Level 1	3 Level 2	4 Level 3	5 Total
Assets at fair value				
Bonds and assets backs securities				
Multi class residential mortgage backed securities	0	28,645	0	28,645
Total bonds and asset-backed securities				
Preferred stocks	0	0	0	0
Common stocks	0	0	0	0
Total assets at fair value	0	28,645	0	28,645
Liabilities at fair value				
Total liabilities at fair value	0	0	0	0

21. Other Items

- | | |
|---|-------------|
| A. Extraordinary Items | “no change” |
| B. Troubled Debt Restructuring | “no change” |
| C. Other Disclosures | “no change” |
| D. Uncollectible Premiums Receivable | “no change” |
| E. Business Interruption Insurance Recoveries | “no change” |
| F. Transferable State Tax Credits | “no change” |
| G. Sub-Prime Mortgage Related Risk Exposure | “no change” |

22. Events Subsequent “no change”**23. Reinsurance**

- | | |
|---------------------------------------|-------------|
| A. Unsecured Reinsurance Recoverable | “no change” |
| B. Reinsurance Recoverable in Dispute | “no change” |

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed and Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium Reserve	Comm. Equity	Premium Reserve	Comm. Equity	Premium Reserve	Comm. Equity
Affiliates	\$2,387,960	\$636,636	\$97,970,797	\$30,812,548	(\$95,582,837)	(\$30,175,912)
All Others	<u>164,497,607</u>	<u>30,887,175</u>	<u>425,513</u>	<u>-</u>	<u>164,072,094</u>	<u>30,887,175</u>
Total	<u>\$166,885,567</u>	<u>\$31,523,811</u>	<u>\$98,396,310</u>	<u>\$30,812,548</u>	<u>\$68,489,257</u>	<u>\$711,263</u>
Direct Unearned Premium Reserve			<u>\$0</u>			

D. Uncollectible Reinsurance “no change”

E. Commutation of Ceded Reinsurance “no change”

F. Retroactive Reinsurance “no change”

G. Reinsurance Accounted for as a Deposit:

The Company recorded assets which consist of cash deposits or in some instances payments for \$27.5 million, offset by a corresponding liability of \$31.3 million and unassigned surplus of \$3.8 million, which includes income statement items, consisting of current year interest income of \$14.6 thousand. The following is a listing of contract detail as of September 30, 2011 with activity listed by calendar year since inception. Please note the 2005 and prior calendar year interest expense (income) is on a proforma basis.

Cedent: Alea North America Insurance Company
 Inception date: 1/1/2003
 Description: Workers' Comp. Excess of Loss

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					0
Yield Adjustment	1.84%				
2003 deposits and recoveries			1,687,500	0	1,687,500
2003 interest income***		11,590			1,699,090
Yield Adjustment	1.82%	-123			1,698,967
2004 deposits and recoveries			112,500	0	1,811,467
2004 interest income***		36,826			1,848,294
Yield Adjustment	1.81%	-351			1,847,943
2005 deposits and recoveries			0	0	1,847,943
2005 interest income***		33,399			1,881,342
Yield Adjustment	1.80%	-499			1,880,844
2006 deposits and recoveries			0	0	1,880,844
2006 interest income***		33,788			1,914,632
Yield Adjustment	1.78%	-987			1,913,645
2007 deposits and recoveries			0	0	1,913,645
2007 interest income***		34,088			1,947,733
Yield Adjustment	1.76%	-1,416			1,946,317
2008 deposits and recoveries			0	0	1,946,317
2008 interest income***		34,347			1,980,664
Yield Adjustment	1.75%	-1,486			1,979,178
2009 YTD deposits and recoveries			0	0	1,979,178
2009 YTD interest income***		34,651			2,013,829
Yield Adjustment	1.73%	-2,068			2,011,761
2010 YTD deposits and recoveries			0	0	2,011,761
2010 YTD interest income***		34,896			2,046,657
Yield Adjustment	1.72%	-1,766			2,044,891
2011 YTD deposits and recoveries			0	0	2,044,891
2011 YTD interest income***		26,366			2,071,257
Inception to Date		271,257	1,800,000	0	2,071,257

NOTES TO FINANCIAL STATEMENTS

Cedent: Alea North America Insurance Company
 Inception date: 1/1/2004
 Description: Workers' Comp. Excess of Loss

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment	1.11%				0
2004 deposits and recoveries			2,528,719	0	2,528,719
2004 interest income***		10,470			2,539,189
Yield Adjustment	1.10%	-84			2,539,104
2005 deposits and recoveries			842,906	0	3,382,011
2005 interest income***		35,982			3,417,993
Yield Adjustment	1.09%	-541			3,417,452
2006 deposits and recoveries			-337,163	0	3,080,289
2006 interest income***		34,814			3,115,103
Yield Adjustment	1.08%	-589			3,114,514
2007 deposits and recoveries			0	0	3,114,514
2007 interest income***		33,563			3,148,077
Yield Adjustment	1.07%	-802			3,147,275
2008 deposits and recoveries			0	0	3,147,275
2008 interest income***		33,680			3,180,955
Yield Adjustment	1.26%	27,027			3,207,982
2009 YTD deposits and recoveries			0	0	3,207,982
2009 YTD interest income***		40,531			3,248,512
Yield Adjustment	1.25%	-3,181			3,245,331
2010 YTD deposits and recoveries			0	0	3,245,331
2010 YTD interest income***		40,409			3,285,741
Yield Adjustment	1.23%	-3,766			3,281,975
2011 YTD deposits and recoveries			0	0	3,281,975
2011 YTD interest income***		30,159			3,312,133
Inception to Date		277,671	3,034,463	0	3,312,133

NOTES TO FINANCIAL STATEMENTS

Cedent: Alea North America Insurance Company
 Inception date: 1/1/2005
 Description: Workers' Comp. Excess of Loss

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment					
2004 deposits and recoveries					
2004 interest income***					
Yield Adjustment	0.38%				0
2005 deposits and recoveries			1,826,297	0	1,826,297
2005 interest income***		2,624			1,828,921
Yield Adjustment	0.38%	3			1,828,924
2006 deposits and recoveries			365,259	0	2,194,184
2006 interest income***		8,485			2,202,668
Yield Adjustment	0.38%	-71			2,202,597
2007 deposits and recoveries			0	0	2,202,597
2007 interest income***		8,404			2,211,001
Yield Adjustment	0.38%	-94			2,210,907
2008 deposits and recoveries			0	0	2,210,907
2008 interest income***		8,395			2,219,302
Yield Adjustment	0.38%	-136			2,219,166
2009 YTD deposits and recoveries			0	0	2,219,166
2009 YTD interest income***		8,385			2,227,551
Yield Adjustment	0.37%	-333			2,227,218
2010 YTD deposits and recoveries			0	0	2,227,218
2010 YTD interest income***		8,338			2,235,557
Yield Adjustment	0.37%	-192			2,235,364
2011 YTD deposits and recoveries			0	0	2,235,364
2011 YTD interest income***		6,247			2,241,611
Inception to Date		50,055	2,191,556	0	2,241,611

NOTES TO FINANCIAL STATEMENTS

Cedent: Colonial Lloyds
 Inception date: 4/1/2004
 Description: Texas Homeowners Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment	-6.86%				0
2004 deposits and recoveries			13,995,897	-4,392,075	9,603,822
2004 interest income***		-346,503			9,257,319
Yield Adjustment	-8.55%	-87,368			9,169,952
2005 deposits and recoveries			-4,998,715	-2,932,021	1,239,216
2005 interest income***		-393,825			845,390
Yield Adjustment	-8.16%	36,372			881,762
2006 deposits and recoveries			-375,603	-177,294	328,865
2006 interest income***		-44,499			284,366
Yield Adjustment	-8.09%	6,121			290,487
2007 deposits and recoveries			-9,191	-108,671	172,625
2007 interest income***		-18,446			154,180
Yield Adjustment	-8.45%	-30,088			124,091
2008 deposits and recoveries			124,910	-14,796	234,205
2008 interest income***		-16,526			217,679
Yield Adjustment	-8.77%	-24,890			192,789
2009 YTD deposits and recoveries			-25,262	-104,582	62,945
2009 YTD interest income***		-9,971			52,974
Yield Adjustment	-8.88%	-7,984			44,991
2010 YTD deposits and recoveries			34,044	-17,128	61,906
2010 YTD interest income***		-1,413			60,494
Yield Adjustment	-8.95%	-4,414			56,079
2011 YTD deposits and recoveries			-53,429	4,355	7,005
2011 YTD interest income***		-3,238			3,768
Inception to Date		-946,671	8,692,651	-7,742,213	3,768

NOTES TO FINANCIAL STATEMENTS

Cedent: Commercial Mutual
 Inception date: 10/1/2003
 Description: Auto Physical Damage Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					0
2003 deposits and recoveries			0	0	0
2003 interest income***		0			0
Yield Adjustment	-11.04%				0
2004 deposits and recoveries			587,028	-57,495	529,533
2004 interest income***		-22,347			507,187
Yield Adjustment	-12.97%	-4,064			503,123
2005 deposits and recoveries			-352,341	-86,717	64,065
2005 interest income***		-35,896			28,169
Yield Adjustment	-20.40%	-32,367			-4,199
2006 deposits and recoveries			0	3,736	-462
2006 interest income***		413			-49
Yield Adjustment	-20.38%	49			0
2007 deposits and recoveries			0	0	0
2007 interest income***		0			0
Yield Adjustment	-20.38%	0			0
2008 deposits and recoveries			0	0	0
2008 interest income***		0			0
Yield Adjustment	-20.38%	0			0
2009 YTD deposits and recoveries			0	0	0
2009 YTD interest income***		0			0
Yield Adjustment	-20.38%	0			0
2010 YTD deposits and recoveries			0	0	0
2010 YTD interest income***		0			0
Yield Adjustment	-20.38%	0			0
2011 YTD deposits and recoveries			0	0	0
2011 YTD interest income***		0			0
Inception to Date		-94,212	234,687	-140,476	0

NOTES TO FINANCIAL STATEMENTS

Cedent: Commercial Mutual
 Inception date: 1/1/2005
 Description: Auto Physical Damage Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment					
2004 deposits and recoveries					
2004 interest income***					
Yield Adjustment	-14.23%	0			0
2005 deposits and recoveries			1,139,942	-301,988	837,953
2005 interest income***		-67,792			770,162
Yield Adjustment	-17.78%	-19,338			750,824
2006 deposits and recoveries			-452,929	-207,235	90,660
2006 interest income***		-37,507			53,154
Yield Adjustment	-17.38%	2,508			55,662
2007 deposits and recoveries			-59,199	18,661	15,124
2007 interest income***		-4,845			10,279
Yield Adjustment	-17.51%	-703			9,576
2008 deposits and recoveries			-12,932	6,281	2,926
2008 interest income***		-801			2,125
Yield Adjustment	-17.51%	0			2,125
2009 YTD deposits and recoveries			-1,977	0	147
2009 YTD interest income***		-148			-1
Yield Adjustment	-17.51%	0			-1
2010 YTD deposits and recoveries			0	0	-1
2010 YTD interest income***		0			-1
Yield Adjustment	-17.51%	0			-1
2011 YTD deposits and recoveries			0	0	-1
2011 YTD interest income***		0			-1
Inception to Date		-128,625	612,905	-484,281	-1

NOTES TO FINANCIAL STATEMENTS

Cedent: Companion Property & Casualty Ins. Co.
 Inception date: 10/1/2002
 Description: Casualty Excess of Loss

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					0
Yield Adjustment	0.00%				0
2003 deposits and recoveries			202,500	0	202,500
2003 interest income***		0			202,500
Yield Adjustment	0.00%				202,500
2004 deposits and recoveries			0	0	202,500
2004 interest income***		0			202,500
Yield Adjustment	0.00%				202,500
2005 deposits and recoveries			0	0	202,500
2005 interest income***		0			202,500
Yield Adjustment	0.00%				202,500
2006 deposits and recoveries			0	0	202,500
2006 interest income***		0			202,500
Yield Adjustment	-27.05%	-136,613			65,887
2007 deposits and recoveries			0	-50,000	15,887
2007 interest income***		-15,887			0
Yield Adjustment	-27.05%	0			0
2008 deposits and recoveries			0	0	0
2008 interest income***		0			0
Yield Adjustment	-27.05%	0			0
2009 YTD deposits and recoveries			0	0	0
2009 YTD interest income***		0			0
Yield Adjustment	-27.05%	0			0
2010 YTD deposits and recoveries			0	0	0
2010 YTD interest income***		0			0
Yield Adjustment	-27.05%	0			0
2011 YTD deposits and recoveries			0	0	0
2011 YTD interest income***		0			0
Inception to Date		-152,500	202,500	-50,000	0

NOTES TO FINANCIAL STATEMENTS

Cedent: Cypress Property & Casualty Ins. Co.
 Inception date: 1/1/2002
 Description: Casualty Excess of Loss

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Yield Adjustment	0.53%				0
2002 deposits and recoveries			3,236,869	0	3,236,869
2002 interest income***		12,961			3,249,829
Yield Adjustment	0.53%	0			3,249,829
2003 deposits and recoveries			957,491	0	4,207,321
2003 interest income***		19,530			4,226,850
Yield Adjustment	0.53%	0			4,226,850
2004 deposits and recoveries			1,056,615	-5,292,271	-8,806
2004 interest income***		13,436			4,630
Yield Adjustment	0.53%	0			4,630
2005 deposits and recoveries			0	-4,639	-9
2005 interest income***		9			0
Yield Adjustment	0.53%	0			0
2006 deposits and recoveries			0	0	0
2006 interest income***		0			0
Yield Adjustment	0.53%	0			0
2007 deposits and recoveries			0	0	0
2007 interest income***		0			0
Yield Adjustment	0.53%	0			0
2008 deposits and recoveries			0	0	0
2008 interest income***		0			0
Yield Adjustment	0.53%	0			0
2009 YTD deposits and recoveries			0	0	0
2009 YTD interest income***		0			0
Yield Adjustment	0.53%	0			0
2010 YTD deposits and recoveries			0	0	0
2010 YTD interest income***		0			0
Yield Adjustment	0.53%	0			0
2011 YTD deposits and recoveries			0	0	0
2011 YTD interest income***		0			0
Inception to Date		45,936	5,250,975	-5,296,910	0

NOTES TO FINANCIAL STATEMENTS

Cedent: Cypress Property & Casualty Ins. Co.
 Inception date: 1/1/2003
 Description: Property Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment	-11.76%				0
2003 deposits and recoveries			11,019,433	-4,148,235	6,871,198
2003 interest income***		-540,543			6,330,655
Yield Adjustment	-17.23%	-256,679			6,073,976
2004 deposits and recoveries			-2,413,174	-3,349,278	311,524
2004 interest income***		-290,538			20,986
Yield Adjustment	-17.65%	-22,988			-2,002
2005 deposits and recoveries			646,080	-704,465	-60,387
2005 interest income***		-37,416			-97,804
Yield Adjustment	-16.88%	-53,195			-150,999
2006 deposits and recoveries			0	-258,852	-409,850
2006 interest income***		52,763			-357,087
Yield Adjustment	-18.69%	-68,298			-425,386
2007 deposits and recoveries			563,800	-58,470	79,945
2007 interest income***		20,795			100,740
Yield Adjustment	-17.73%	27,813			128,553
2008 deposits and recoveries			0	-120,517	8,036
2008 interest income***		-8,954			-918
Yield Adjustment	-17.75%	-346			-1,264
2009 YTD deposits and recoveries			54,439	-19,549	33,626
2009 YTD interest income***		1,672			35,298
Yield Adjustment	-19.69%	-35,292			6
2010 YTD deposits and recoveries			0	0	6
2010 YTD interest income***		-1			5
Yield Adjustment	-19.69%	1			6
2011 YTD deposits and recoveries			0	0	6
2011 YTD interest income***		-1			5
Inception to Date		-1,211,209	9,870,578	-8,659,364	5

NOTES TO FINANCIAL STATEMENTS

Cedent: Cypress Property & Casualty Ins. Co.
 Inception date: 1/1/2004
 Description: Property Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					0
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment	53.00%				0
2004 deposits and recoveries			9,637,323	-10,392,835	-755,512
2004 interest income***		2,261,059			1,505,547
Yield Adjustment	71.45%	772,009			2,277,556
2005 deposits and recoveries			3,126,806	-5,625,551	-221,189
2005 interest income***		674,003			452,814
Yield Adjustment	68.09%	-169,545			283,268
2006 deposits and recoveries			0	-219,734	63,533
2006 interest income***		110,672			174,205
Yield Adjustment	67.55%	-74,112			100,093
2007 deposits and recoveries			0	-39,733	60,360
2007 interest income***		44,935			105,294
Yield Adjustment	67.64%	18,936			124,231
2008 deposits and recoveries			0	-115,267	8,963
2008 interest income***		40,094			49,058
Yield Adjustment	67.66%	11,609			60,667
2009 YTD deposits and recoveries			0	-57,205	3,462
2009 YTD interest income***		20,572			24,034
Yield Adjustment	67.65%	-7,115			16,918
2010 YTD deposits and recoveries			0	0	16,918
2010 YTD interest income***		11,446			28,364
Yield Adjustment	67.65%	-3,936			24,428
2011 YTD deposits and recoveries			0	0	24,428
2011 YTD interest income***		11,563			35,991
Inception to Date		3,722,190	12,764,129	-16,450,327	35,991

NOTES TO FINANCIAL STATEMENTS

Cedent: Cypress Texas Lloyds
 Inception date: 7/1/2003
 Description: Texas Homeowners Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment	-27.29%				0
2003 deposits and recoveries			192,314	0	192,314
2003 interest income***		-7,510			184,804
Yield Adjustment	-10.53%	4,854			189,659
2004 deposits and recoveries			3,656,433	-516,306	3,329,785
2004 interest income***		-231,646			3,098,139
Yield Adjustment	-8.43%	47,282			3,145,421
2005 deposits and recoveries			-524,171	-955,592	1,665,658
2005 interest income***		-162,220			1,503,438
Yield Adjustment	-7.22%	48,269			1,551,707
2006 deposits and recoveries			0	0	1,551,707
2006 interest income***		-112,050			1,439,656
Yield Adjustment	-8.43%	-62,982			1,376,674
2007 deposits and recoveries			-1,028,627	-240,847	107,201
2007 interest income***		-21,903			85,298
Yield Adjustment	-8.35%	3,982			89,280
2008 deposits and recoveries			0	-39,436	49,844
2008 interest income***		-5,363			44,481
Yield Adjustment	-9.15%	-35,942			8,539
2009 YTD deposits and recoveries			5,344	-9,073	4,810
2009 YTD interest income***		-171			4,639
Yield Adjustment	-9.26%	-4,637			2
2010 YTD deposits and recoveries			0	0	2
2010 YTD interest income***		0			2
Yield Adjustment	-9.26%	0			2
2011 YTD deposits and recoveries			0	0	2
2011 YTD interest income***		0			2
Inception to Date		-540,037	2,301,293	-1,761,255	2

NOTES TO FINANCIAL STATEMENTS

Cedent: Cypress Texas Lloyds
 Inception date: 7/1/2003
 Description: Texas Homeowners Excess

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					0
Yield Adjustment	-4.85%				0
2003 deposits and recoveries			16,497	0	16,497
2003 interest income***		-102			16,395
Yield Adjustment	-4.85%	0			16,395
2004 deposits and recoveries			254,419	0	270,814
2004 interest income***		-7,808			263,006
Yield Adjustment	-4.85%	0			263,006
2005 deposits and recoveries			89,696	-248,706	103,996
2005 interest income***		-8,958			95,038
Yield Adjustment	-4.06%	2,695			97,733
2006 deposits and recoveries			-1	0	97,732
2006 interest income***		-3,964			93,768
Yield Adjustment	-3.40%	2,814			96,582
2007 deposits and recoveries			-89,696	-6,469	417
2007 interest income***		-417			0
Yield Adjustment	-3.40%	0			0
2008 deposits and recoveries			0	0	0
2008 interest income***		0			0
Yield Adjustment	-3.40%	0			0
2009 YTD deposits and recoveries			0	0	0
2009 YTD interest income***		0			0
Yield Adjustment	-3.40%	0			0
2010 YTD deposits and recoveries			0	0	0
2010 YTD interest income***		0			0
Yield Adjustment	-3.40%	0			0
2011 YTD deposits and recoveries			0	0	0
2011 YTD interest income***		0			0
Inception to Date		-15,741	270,916	-255,175	0

NOTES TO FINANCIAL STATEMENTS

Cedent: Discover Reinsurance Company
 Inception date: 9/1/2002
 Description: Workers' Comp. Excess Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					0
Yield Adjustment	-0.11%	0			0
2003 deposits and recoveries			7,184,413	-82,764	7,101,649
2003 interest income***		-3,600			7,098,049
Yield Adjustment	2.39%	78,059			7,176,108
2004 deposits and recoveries			2,811,893	-100,598	9,887,403
2004 interest income***		215,366			10,102,769
Yield Adjustment	2.35%	-5,746			10,097,023
2005 deposits and recoveries			185,983	-352,532	9,930,474
2005 interest income***		234,894			10,165,368
Yield Adjustment	2.23%	-24,435			10,140,933
2006 deposits and recoveries			312,936	-119,354	10,334,515
2006 interest income***		228,584			10,563,099
Yield Adjustment	2.18%	-16,068			10,547,031
2007 deposits and recoveries			140,327	-491,353	10,196,005
2007 interest income***		228,743			10,424,748
Yield Adjustment	0.70%	-642,302			9,782,446
2008 deposits and recoveries			54,076	-671,083	9,165,439
2008 interest income***		66,332			9,231,771
Yield Adjustment	0.68%	-13,466			9,218,305
2009 YTD deposits and recoveries			5,213	-429,597	8,793,920
2009 YTD interest income***		60,422			8,854,342
Yield Adjustment	0.67%	-4,365			8,849,978
2010 YTD deposits and recoveries			-45,075	-981,195	7,823,708
2010 YTD interest income***		56,054			7,879,762
Yield Adjustment	0.65%	-11,679			7,868,083
2011 YTD deposits and recoveries			44,758	-393,516	7,519,325
2011 YTD interest income***		37,781			7,557,107
Inception to Date		484,574	10,694,524	-3,621,992	7,557,107

NOTES TO FINANCIAL STATEMENTS

Cedent: Discover Reinsurance Company
 Inception date: 9/1/2003
 Description: Workers' Comp. Excess Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment	-0.05%				0
2003 deposits and recoveries			734,532	0	734,532
2003 interest income***		193			734,725
Yield Adjustment	-0.05%	-313			734,412
2004 deposits and recoveries			7,645,938	0	8,380,350
2004 interest income***		-2,694			8,377,656
Yield Adjustment	-0.05%	152.97			8,377,809
2005 deposits and recoveries			8,266,345	-64,545	16,579,609
2005 interest income***		-7,275			16,572,334
Yield Adjustment	-0.05%	774			16,573,108
2006 deposits and recoveries			1,338,538	-218,063	17,693,583
2006 interest income***		-7,991			17,685,592
Yield Adjustment	-0.04%	372			17,685,964
2007 deposits and recoveries			499,972	-157,062	18,028,875
2007 interest income***		-8,002			18,020,874
Yield Adjustment	-0.85%	-444,161			17,576,713
2008 deposits and recoveries			202,421	-82,149	17,696,985
2008 interest income***		-150,811			17,546,174
Yield Adjustment	-1.35%	-353,832			17,192,342
2009 YTD deposits and recoveries			-796,034	-96,985	16,299,323
2009 YTD interest income***		-222,480			16,076,842
Yield Adjustment	-0.91%	381,381			16,458,224
2010 YTD deposits and recoveries			-1,414,732	-300,796	14,742,695
2010 YTD interest income***		-141,154			14,601,541
Yield Adjustment	-0.92%	-7,878			14,593,664
2011 YTD deposits and recoveries			23,321	-376,428	14,240,557
2011 YTD interest income***		-100,378			14,140,179
Inception to Date		-1,064,095	16,500,301	-1,296,027	14,140,179

NOTES TO FINANCIAL STATEMENTS

Cedent: Discover Reinsurance Company
 Inception date: 10/1/2004
 Description: Workers' Comp. Excess Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
<u>Deposit Balance at 12/31/02</u>					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
<hr/>					
Yield Adjustment					
2004 deposits and recoveries					
2004 interest income***					0
<hr/>					
Yield Adjustment	-0.06%				0
2005 deposits and recoveries			1,047,386	0	1,047,386
2005 interest income***		-291			1,047,095
<hr/>					
Yield Adjustment	0.46%	3,087			1,050,182
2006 deposits and recoveries			1,255,907	-248	2,305,840
2006 interest income***		9,385			2,315,225
<hr/>					
Yield Adjustment	0.51%	1,266			2,316,491
2007 deposits and recoveries			153,114	-3,296	2,466,309
2007 interest income***		12,222			2,478,531
<hr/>					
Yield Adjustment	0.12%	-19,651			2,458,880
2008 deposits and recoveries			71,973	-256,411	2,274,442
2008 interest income***		2,932			2,277,374
<hr/>					
Yield Adjustment	0.10%	-1,760			2,275,614
2009 YTD deposits and recoveries			3,417	-47,526	2,231,505
2009 YTD interest income***		2,176			2,233,680
<hr/>					
Yield Adjustment	0.10%	-40			2,233,640
2010 YTD deposits and recoveries			-231,851	-43,761	1,958,028
2010 YTD interest income***		2,044			1,960,071
<hr/>					
Yield Adjustment	0.09%	-157			1,959,915
2011 YTD deposits and recoveries			4,707	-28,042	1,936,580
2011 YTD interest income***		1,385			1,937,965
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Inception to Date		12,597	2,304,652	-379,284	1,937,965

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

NOTES TO FINANCIAL STATEMENTS

Cedent: Wisconsin Reinsurance Corporation
 Inception date: 4/1/2003
 Description: First Auto Physical Damage Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment	-14.73%				0
2003 deposits and recoveries			2,171,282	-1,088,273	1,083,009
2003 interest income***		-63,472			1,019,538
Yield Adjustment	-18.20%	-15,927			1,003,611
2004 deposits and recoveries			261,696	-920,709	344,597
2004 interest income***		-108,684			235,913
Yield Adjustment	-49.29%	-250,426			-14,513
2005 deposits and recoveries			-2,102	11,378	-5,237
2005 interest income***		4,509			-728
Yield Adjustment	-44.76%	-1,844			-2,573
2006 deposits and recoveries			0	1,427	-1,146
2006 interest income***		418			-728
Yield Adjustment	-44.46%	657			-71
2007 deposits and recoveries			728	-563	94
2007 interest income***		-94			0
Yield Adjustment	-46.90%	-2,515			-2,515
2008 deposits and recoveries			0	1,734	-780
2008 interest income***		780			0
Yield Adjustment	-46.02%	-867			-867
2009 YTD deposits and recoveries			0	3,614	2,747
2009 YTD interest income***		-2,747			0
Yield Adjustment	-42.37%	1,631			1,631
2010 YTD deposits and recoveries			0	881	2,512
2010 YTD interest income***		-2,513			0
Yield Adjustment	-38.67%	1,848			1,848
2011 YTD deposits and recoveries			0	663	2,511
2011 YTD interest income***		-742			1,769
Inception to Date		-439,986	2,431,604	-1,989,848	1,769

NOTES TO FINANCIAL STATEMENTS

Cedent: Qualsure Insurance Company
 Inception date: 1/1/2004
 Description: Stop Loss Aggregate Excess of Loss

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
<u>Deposit Balance at 12/31/02</u>					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment	-18.77%				0
2004 deposits and recoveries			520,717	0	520,717
2004 interest income***		-107,926			412,791
Yield Adjustment	-89.94%	-412,825			-34
2005 deposits and recoveries			0	0	-34
2005 interest income***		30			-3
Yield Adjustment	-89.94%	3			0
2006 deposits and recoveries			0	0	0
2006 interest income***		0			0
Yield Adjustment	-89.94%	0			0
2007 deposits and recoveries			0	0	0
2007 interest income***		0			0
Yield Adjustment	-89.94%	0			0
2008 deposits and recoveries			0	0	0
2008 interest income***		0			0
Yield Adjustment	-89.94%	0			0
2009 YTD deposits and recoveries			0	0	0
2009 YTD interest income***		0			0
Yield Adjustment	-89.94%	0			0
2010 YTD deposits and recoveries			0	0	0
2010 YTD interest income***		0			0
Yield Adjustment	-89.94%	0			0
2011 YTD deposits and recoveries			0	0	0
2011 YTD interest income***		0			0
Inception to Date		-520,717	520,717	0	0

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

NOTES TO FINANCIAL STATEMENTS

Cedent: St. John's Insurance Company
 Inception date: 6/1/2004
 Description: Florida Homeowners Quota Share

Description	Implicit Interest Rate	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Deposit Balance at 12/31/02					
Yield Adjustment					
2003 deposits and recoveries					
2003 interest income***					
Yield Adjustment	905.47%				0
2004 deposits and recoveries			3,560,299	-5,587,285	-2,026,987
2004 interest income***		572,620			-1,454,367
Yield Adjustment	2653.99%	731,537			-722,830
2005 deposits and recoveries			761,567	-2,728,397	-2,689,660
2005 interest income***		1,972,814			-716,846
Yield Adjustment	2666.70%	129,252			-587,595
2006 deposits and recoveries			1,634,358	-1,227,773	-181,010
2006 interest income***		217,976			36,967
Yield Adjustment	2666.91%	57,932			94,898
2007 deposits and recoveries			0	-399,926	-305,027
2007 interest income***		318,217			13,190
Yield Adjustment	2666.94%	-675			12,515
2008 deposits and recoveries			0	-28,580	-16,065
2008 interest income***		24,394			8,329
Yield Adjustment	2666.94%	-5,125			3,204
2009 YTD deposits and recoveries			0	-14,676	-11,472
2009 YTD interest income***		17,010			5,539
Yield Adjustment	2666.94%	24,646			30,185
2010 YTD deposits and recoveries			0	-49,965	-19,780
2010 YTD interest income***		11,550			-8,230
Yield Adjustment	2666.94%	0			-8,230
2011 YTD deposits and recoveries			0	7	-8,222
2011 YTD interest income***		8,222			0
Inception to Date		4,080,371	5,956,224	-10,036,595	0

NOTES TO FINANCIAL STATEMENTS

Cedent: All Contracts
 Inception date:
 Description:

Description	Interest Expense/(Income)	Additional Deposit*	Cash Recoveries**	Deposit Balance
Yield Adjustment				
2002 deposits and recoveries		3,236,869	0	3,236,869
2002 interest income***	12,961			3,249,829
Yield Adjustment	0			3,249,829
2003 deposits and recoveries		24,165,963	-5,319,272	22,096,521
2003 interest income***	-583,915			21,512,606
Yield Adjustment	-190,128			21,322,478
2004 deposits and recoveries		44,216,302	-30,608,853	34,929,927
2004 interest income***	1,991,631			36,921,558
Yield Adjustment	767,130			37,688,688
2005 deposits and recoveries		12,055,678	-13,993,776	35,750,590
2005 interest income***	2,244,591			37,995,181
Yield Adjustment	-81,310			37,913,871
2006 deposits and recoveries		3,741,304	-2,423,391	39,231,784
2006 interest income***	491,287			39,723,071
Yield Adjustment	-288,001			39,435,070
2007 deposits and recoveries		171,228	-1,537,728	38,068,570
2007 interest income***	631,375			38,699,945
Yield Adjustment	-1,091,675			37,608,270
2008 deposits and recoveries		440,448	-1,320,224	36,728,494
2008 interest income***	28,499			36,756,993
Yield Adjustment	-399,215			36,357,778
2009 YTD deposits and recoveries		-754,861	-775,579	34,827,338
2009 YTD interest income***	-50,098			34,777,240
Yield Adjustment	342,644			35,119,885
2010 YTD deposits and recoveries		-1,657,615	-1,391,964	32,070,306
2010 YTD interest income***	19,657			32,089,964
Yield Adjustment	-31,939			32,058,024
2011 YTD deposits and recoveries		19,358	-792,960	31,284,422
2011 YTD interest income***	17,365			31,301,787
Inception to Date	3,830,858	85,634,675	-58,163,746	31,301,787

* Additional deposit represents premium under the contract net of commissions and brokerage. For some contracts, minor corrections are included in this line.

** Cash recoveries represent paid losses

*** Interest income is not exactly equal to the implicit interest rate times the deposit balance because the actual calculations are done quarterly, reflecting the actual distribution of cash flows in each quarter.

24. Retrospectively Rated Contracts “no change”
25. Changes in Incurred Losses and Loss Adjustment Expenses
- The Company’s incurred losses and loss adjustment expenses for accident years 2002 through 2010 decreased from \$419.3 million at December 31, 2010 to \$407.7 million at September 30, 2011 as a result of re-estimation of unpaid losses and loss adjustment expenses (there were no changes for accident years prior to 2002). This decrease is the result of ongoing analysis of loss development information. Original estimates are changed as the Company receives additional information regarding both significant individual claims and aggregate claim activity.
26. Intercompany Pooling Agreements “no change”
27. Structured Settlements “no change”

NOTES TO FINANCIAL STATEMENTS

28.	Health Care Receivables	“no change”
29.	Participating Accident and Health Policies	“no change”
30.	Premium Deficiency Reserves	“no change”
31.	High Deductibles	“no change”
32.	Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses	“no change”
33.	Asbestos and Environmental Reserve	“no change”
34.	Subscriber Savings Accounts	“no change”
35.	Multiple Peril Crop Insurance	“no change”
36.	Financial Guarantee Insurance	“no change”

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] N/A []
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2007
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/04/2009
- 6.4 By what department or departments?
Nebraska Department of Insurance
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] N/A [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 7.2 If yes, give full information:
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [] No []
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended? Yes [] No []
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No []
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No []
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No []
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$
13. Amount of real estate and mortgages held in short-term investments: \$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No []
- 14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$ 0	\$
14.22 Preferred Stock	\$ 0	\$
14.23 Common Stock	\$ 584,988,741	\$ 558,436,276
14.24 Short-Term Investments	\$ 0	\$
14.25 Mortgage Loans on Real Estate	\$ 0	\$
14.26 All Other	\$ 0	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	\$ 584,988,741	\$ 558,436,276
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No []
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No []
- If no, attach a description with this statement.

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company
GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
The Bank of New York Mellon	One Mellon Bank Center, Pittsburgh, PA 15258
RBX Dexia Investor Services	77 Kings St. W. Toronto, Ontario

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [] No [X]

16.4 If yes, give full information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
107105	Blackrock Financial Management, Inc.	40 East 52nd Street, New York, NY 10022
	Arch Investment Management, LTD.	Wessex House 45 Reid Street, Hamilton HM 12, Bermuda

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

17.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change?..... Yes [] No [] N/A [X]
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [] No [X]
If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [] No [X]

3.2 If yes, give full and complete information thereto.

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [] No [X]

4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
TOTAL			0	0	0	0	0	0	0	0

5. Operating Percentages:

5.1 A&H loss percent %

5.2 A&H cost containment percent %

5.3 A&H expense percent excluding cost containment expenses %

6.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date \$.....

6.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date \$.....

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
NONE				

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

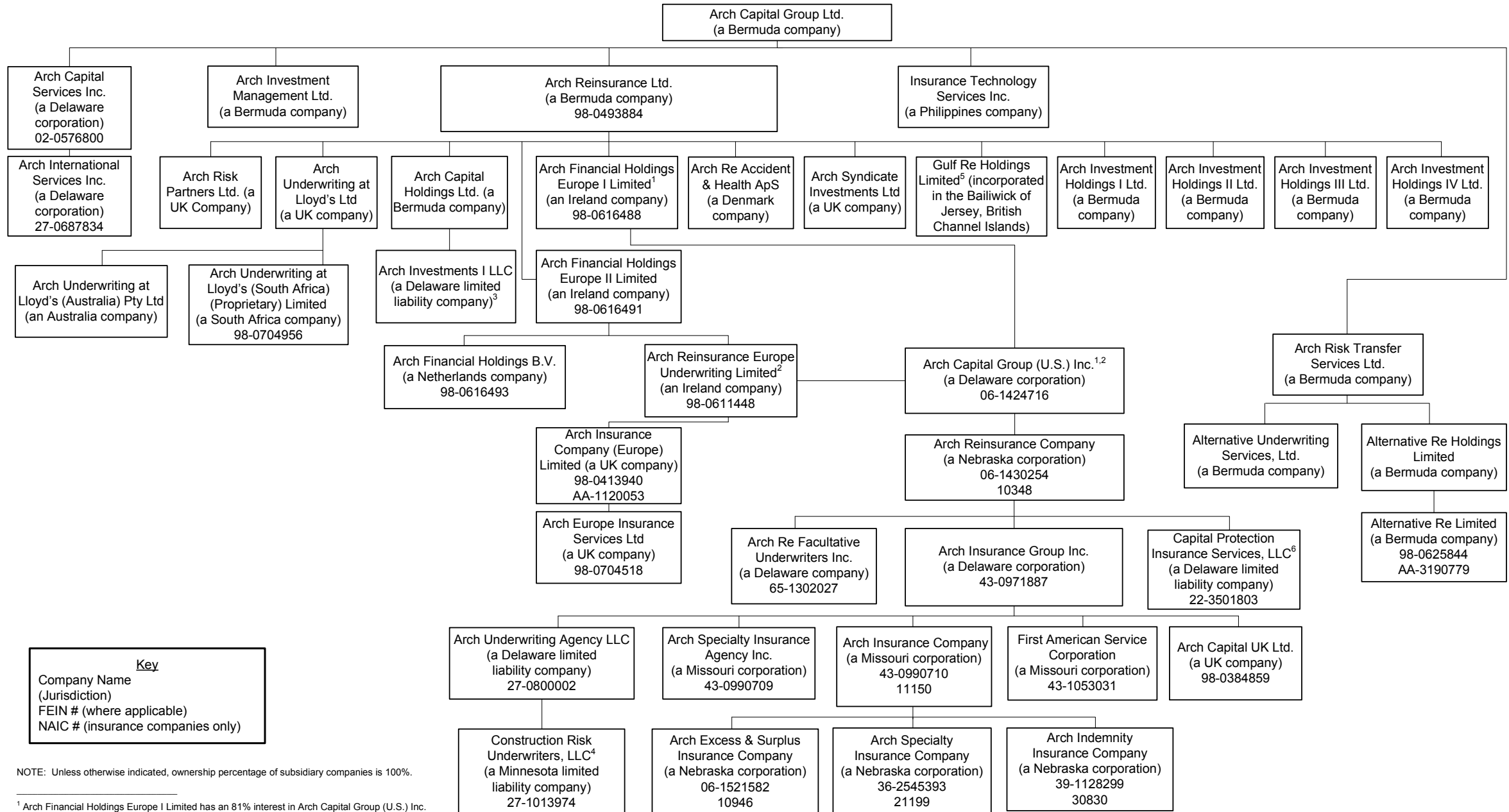
Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date
1. Alabama AL	L						
2. Alaska AK	L						
3. Arizona AZ	L						
4. Arkansas AR	L						
5. California CA	L			45,000		12,191	33,117
6. Colorado CO	L						
7. Connecticut CT	L						
8. Delaware DE	L						
9. District of Columbia DC	L					20,117	54,649
10. Florida FL	L					7,900	21,462
11. Georgia GA	L					7,435	20,194
12. Hawaii HI	L						
13. Idaho ID	L						
14. Illinois IL	L						
15. Indiana IN	L						
16. Iowa IA	L						
17. Kansas KS	L						
18. Kentucky KY	L						
19. Louisiana LA	L						
20. Maine ME	N						
21. Maryland MD	L						
22. Massachusetts MA	L						
23. Michigan MI	L						
24. Minnesota MN	L						
25. Mississippi MS	L						
26. Missouri MO	L						
27. Montana MT	L						
28. Nebraska NE	L						
29. Nevada NV	L						
30. New Hampshire NH	L						
31. New Jersey NJ	L					11,783	32,004
32. New Mexico NM	L						
33. New York NY	L					15,845	43,044
34. North Carolina NC	N						
35. North Dakota ND	L						
36. Ohio OH	L						
37. Oklahoma OK	L						
38. Oregon OR	L						
39. Pennsylvania PA	L					28,798	193,922
40. Rhode Island RI	L						
41. South Carolina SC	L						
42. South Dakota SD	L						
43. Tennessee TN	L						
44. Texas TX	L						0
45. Utah UT	L						
46. Vermont VT	L						
47. Virginia VA	L						
48. Washington WA	L						
49. West Virginia WV	L						
50. Wisconsin WI	N						
51. Wyoming WY	N						
52. American Samoa AS	N						
53. Guam GU	N						
54. Puerto Rico PR	N						
55. U.S. Virgin Islands VI	N						
56. Northern Mariana Islands MP	N						
57. Canada CN	N						
58. Aggregate Other Alien OT	XXX	0	0	0	0	0	0
59. Totals	(a) 47	0	0	45,000	0	104,069	398,392
DETAILS OF WRITE-INS							
5801.	XXX						
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX	0	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP – PART 1 – ORGANIZATIONAL CHART



Key
 Company Name
 (Jurisdiction)
 FEIN # (where applicable)
 NAIC # (insurance companies only)

NOTE: Unless otherwise indicated, ownership percentage of subsidiary companies is 100%.

¹ Arch Financial Holdings Europe I Limited has an 81% interest in Arch Capital Group (U.S.) Inc.

² Arch Reinsurance Europe Underwriting Limited has a 19% interest in Arch Capital Group (U.S.) Inc.

³ Arch Capital Holdings Ltd. is the managing member of Arch Investments I LLC

⁴ Arch Underwriting Agency LLC is a managing member of, and has a 50% voting interest in, Construction Risk Underwriters, LLC

⁵ Arch Reinsurance Ltd. has a 50% voting interest in Gulf Re Holdings Limited

⁶ Arch Reinsurance Company has a 49% voting interest in Capital Protection Insurance Services, LLC

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire			0.0	0.0
2. Allied Lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril			0.0	0.0
5. Commercial multiple peril			0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine			0.0	0.0
10. Financial guaranty			0.0	0.0
11.1 Medical professional liability - occurrence			0.0	0.0
11.2 Medical professional liability - claims-made			0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health			0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health			0.0	0.0
16. Workers' compensation			0.0	0.0
17.1 Other liability - occurrence			0.0	0.0
17.2 Other liability - claims-made			0.0	0.0
17.3 Excess workers' compensation			0.0	0.0
18.1 Products liability - occurrence			0.0	0.0
18.2 Products liability - claims-made			0.0	0.0
19.1,19.2 Private passenger auto liability			0.0	0.0
19.3,19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage			0.0	0.0
22. Aircraft (all perils)			0.0	0.0
23. Fidelity			0.0	0.0
24. Surety	0	(16,882)	0.0	(1,216.5)
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. Totals	0	(16,882)	0.0	(1,216.5)
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	0		
2. Allied Lines	0		
3. Farmowners multiple peril	0		
4. Homeowners multiple peril	0		
5. Commercial multiple peril	0		
6. Mortgage guaranty	0		
8. Ocean marine	0		
9. Inland marine	0		
10. Financial guaranty	0		
11.1 Medical professional liability - occurrence	0		
11.2 Medical professional liability - claims-made	0		
12. Earthquake	0		
13. Group accident and health	0		
14. Credit accident and health	0		
15. Other accident and health	0		
16. Workers' compensation	0		
17.1 Other liability - occurrence	0		
17.2 Other liability - claims-made	0		
17.3 Excess workers' compensation	0		
18.1 Products liability - occurrence	0		
18.2 Products liability - claims-made	0		
19.1,19.2 Private passenger auto liability	0		
19.3,19.4 Commercial auto liability	0		
21. Auto physical damage	0		
22. Aircraft (all perils)	0		
23. Fidelity	0		
24. Surety	0		
26. Burglary and theft	0		
27. Boiler and machinery	0		
28. Credit	0		
29. International	0		
30. Warranty	0		
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. Totals	0	0	0
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1+2)	2011 Loss and LAE Payments on Claims Reported as of Prior Year-End	2011 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2011 Loss and LAE Payments (Cols. 4+5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7+8+9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols.4+7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5+8+9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11+12)
1. 2008 + Prior	28,553	74,486	103,039	10,659	743	11,402	21,621	2,069	62,249	85,939	3,727	(9,425)	(5,698)
2. 2009	9,087	31,375	40,462	3,863	761	4,624	5,977	1,111	26,704	33,792	753	(2,799)	(2,046)
3. Subtotals 2009 + Prior	37,640	105,861	143,501	14,522	1,504	16,026	27,598	3,180	88,953	119,731	4,480	(12,224)	(7,744)
4. 2010	5,661	35,339	41,000	3,599	1,249	4,848	3,788	2,031	26,468	32,287	1,726	(5,591)	(3,865)
5. Subtotals 2010 + Prior	43,301	141,200	184,501	18,121	2,753	20,874	31,386	5,211	115,421	152,018	6,206	(17,815)	(11,609)
6. 2011	XXX	XXX	XXX	XXX	9,804	9,804	XXX	23,386	41,910	65,296	XXX	XXX	XXX
7. Totals	43,301	141,200	184,501	18,121	12,557	30,678	31,386	28,597	157,331	217,314	6,206	(17,815)	(11,609)
8. Prior Year-End Surplus As Regards Policyholders	870,600										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 14.3	2. (12.6)	3. (6.3)
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. (1.3)

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

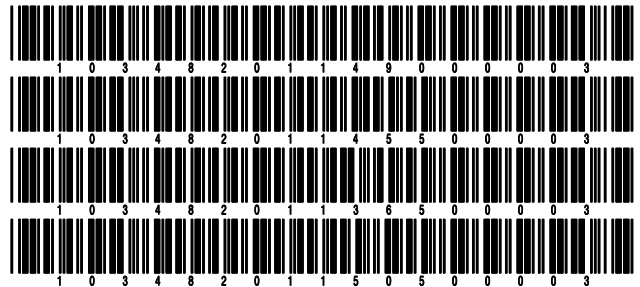
	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanations:

- 1.
- 2.
- 3.
- 4.

Bar Codes:

1. Trusteed Surplus Statement [Document Identifier 490]
2. Supplement A to Schedule T [Document Identifier 455]
3. Medicare Part D Coverage Supplement [Document Identifier 365]
4. Director and Officer Supplement [Document Identifier 505]



OVERFLOW PAGE FOR WRITE-INS

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,043,625,514	1,029,806,523
2. Cost of bonds and stocks acquired	231,618,772	414,915,024
3. Accrual of discount	388,880	887,768
4. Unrealized valuation increase (decrease)	(38,727,175)	(17,782,459)
5. Total gain (loss) on disposals	1,558,389	5,300,584
6. Deduct consideration for bonds and stocks disposed of	191,001,818	385,899,882
7. Deduct amortization of premium	3,276,785	3,602,044
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8-9)	1,044,185,777	1,043,625,514
11. Deduct total nonadmitted amounts	2,058,118	1,660,498
12. Statement value at end of current period (Line 10 minus Line 11)	1,042,127,659	1,041,965,016

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	488,482,401	91,977,129	86,631,432	(1,056,196)	480,383,818	488,482,401	492,771,902	468,495,851
2. Class 2 (a)	(1)	0	0	0	(1)	(1)	(1)	33,447
3. Class 3 (a)	1	0	0	0	33,152	1	1	0
4. Class 4 (a)	0	0	0	0	0	0	0	0
5. Class 5 (a)	0	0	0	0	0	0	0	0
6. Class 6 (a)	0	0	0	0	0	0	0	0
7. Total Bonds	488,482,401	91,977,129	86,631,432	(1,056,196)	480,416,969	488,482,401	492,771,902	468,529,298
PREFERRED STOCK								
8. Class 1	0	0	0	0	0	0	0	0
9. Class 2	0	0	0	0	0	0	0	0
10. Class 3	0	0	0	0	0	0	0	0
11. Class 4	0	0	0	0	0	0	0	0
12. Class 5	0	0	0	0	0	0	0	0
13. Class 6	0	0	0	0	0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	488,482,401	91,977,129	86,631,432	(1,056,196)	480,416,969	488,482,401	492,771,902	468,529,298

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$1,700,510 ; NAIC 2 \$0 ; NAIC 3 \$0 ; NAIC 4 \$0 ; NAIC 5 \$0 ; NAIC 6 \$0

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SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year-to-Date	Paid for Accrued Interest Year-to-Date
9199999 Totals	9,080,506	XXX	9,082,175	816	1,122

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	9,892,512	19,364,712
2. Cost of short-term investments acquired	144,189,089	317,227,176
3. Accrual of discount	1,691	10,561
4. Unrealized valuation increase (decrease)	0	0
5. Total gain (loss) on disposals	0	247
6. Deduct consideration received on disposals	145,001,065	326,710,184
7. Deduct amortization of premium	1,720	0
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	9,080,507	9,892,512
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	9,080,507	9,892,512

Schedule DB - Part A - Verification - Options, Caps, Floors, Collars, Swaps and Forwards

N O N E

Schedule DB - Part B - Verification - Futures Contracts

N O N E

Schedule DB - Part C - Section 1 - Replication (Synthetic Asset) Transactions (RSATs) Open

N O N E

Schedule DB-Part C-Section 2-Reconciliation of Replication (Synthetic Asset) Transactions Open

N O N E

Schedule DB - Verification - Book/Adjusted Carrying Value, Fair Value and Potential Exposure of
Derivatives

N O N E

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of cash equivalents acquired	5,683,867	6,592,706
3. Accrual of discount	31	696
4. Unrealized valuation increase (decrease)	0	0
5. Total gain (loss) on disposals	9	0
6. Deduct consideration received on disposals	5,683,907	6,593,402
7. Deduct amortization of premium	0	0
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	0	0
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

Schedule A - Part 2 - Real Estate Acquired and Additions Made

N O N E

Schedule A - Part 3 - Real Estate Disposed

N O N E

Schedule B - Part 2 - Mortgage Loans Acquired

N O N E

Schedule B - Part 3 - Mortgage Loans Disposed, Transferred or Repaid

N O N E

Schedule BA - Part 2 - Other Long-Term Invested Assets Acquired

N O N E

Schedule BA - Part 3 - Other Long-Term Invested Assets Disposed, Transferred or Repaid

N O N E

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
912828-RF-9	UNITED STATES TREASURY GOVT BND 1.000% 08/31/16		09/20/2011	J.P. MORGAN SECURITIES INC		453,306	450,000	260	1
0599999. Bonds - U.S. Governments						453,306	450,000	260	XXX
373384-VH-6	GEORGIA ST MUNI BND GO 4.500% 07/01/19		07/06/2011	MERRILL LYNCH PIERCE FNNR & SM		4,128,156	3,600,000	0	1FE
677521-PU-4	OHIO ST MUNI BND GO 5.000% 09/15/26		09/22/2011	J.P. MORGAN SECURITIES INC		4,597,600	4,000,000	0	1FE
93974C-JJ-0	WASHINGTON STATE MUNI BND GO 5.000% 01/01/19		09/12/2011	LOOP CAPITAL MARKETS		2,440,180	2,000,000	20,556	1FE
93974C-RK-8	WASHINGTON STATE MUNI BND GO 5.000% 01/01/16		08/18/2011	LOOP CAPITAL MARKETS		3,529,800	3,000,000	21,667	1FE
1799999. Bonds - U.S. States, Territories and Possessions						14,695,736	12,600,000	42,223	XXX
358775-3X-0	FRISCO TEX MUNI BND GO 5.000% 02/15/21		08/10/2011	FIDELITY BANK		2,786,015	2,295,000	0	1FE
545896-3V-2	LOUDOUN CNTY VA MUNI BND GO 5.000% 12/01/21		09/22/2011	FIDELITY BANK		3,585,449	2,885,000	46,481	1FE
613035-J3-9	MONTGOMERY AL SPL LODGING TAX MUNI BND GO 5.000% 05/01/20		07/20/2011	JEFFRIES & CO. INC.		2,306,403	1,980,000	6,600	1FE
774285-H7-8	ROCKWALL TEX INDPST SCH DIST MUNI BND GO 5.000% 02/15/16		09/13/2011	MORGAN KEEGAN		1,177,020	1,000,000	4,306	1FE
930863-T4-7	WAKE CNTY N C MUNI BND GO 5.000% 03/01/21		09/06/2011	JEFFRIES & CO. INC.		3,940,556	3,150,000	3,500	1FE
95736U-WM-2	WESTCHESTER CNTY N Y MUNI BND GO 5.000% 10/15/19		09/02/2011	FIDELITY BANK		2,281,970	1,845,000	5,638	1FE
2499999. Bonds - U.S. Political Subdivisions of States, Territories and Possessions						16,077,413	13,155,000	66,525	XXX
360066-NE-0	FULTON CNTY GA WTR & SEW REV MUNI BND REV 5.000% 01/01/19		09/22/2011	RAYMOND JAMES		1,928,848	1,600,000	1,556	1FE
495289-ZT-0	KING CNTY WASH MUNI BND REV 5.000% 01/01/17		08/23/2011	J.P. MORGAN SECURITIES INC		3,563,670	3,000,000	0	1FE
495289-ZU-7	KING CNTY WASH MUNI BND REV 5.000% 01/01/18		08/23/2011	J.P. MORGAN SECURITIES INC		1,373,737	1,145,000	0	1FE
574204-WP-4	MARYLAND ST DEPT TRANSN CONS T MUNI BND REV 5.000% 05/01/18		09/30/2011	J.P. MORGAN SECURITIES INC		2,424,200	2,000,000	0	1FE
576004-FB-6	MASSACHUSETTS ST SPL OBLIG REV MUNI BND REV 5.000% 12/15/14		09/29/2011	MERRILL LYNCH PIERCE FNNR & SM		2,609,764	2,300,000	34,819	1FE
576049-FB-8	MASSACHUSETTS ST WTR RES AUTH MUNI BND REV 5.000% 08/01/19		07/22/2011	LOOP CAPITAL MARKETS		2,367,320	2,000,000	48,889	1FE
64985Y-EK-2	NEW YORK ST ENVIRONMENTAL FACS MUNI BND REV 5.000% 12/15/15		09/07/2011	LOOP CAPITAL MARKETS		1,635,015	1,390,000	16,217	1FE
796253-U5-9	SAN ANTONIO TEX ELEC & GAS REV MUNI BND REV 5.000% 02/01/18		09/15/2011	BMO CAPITAL MARKETS		1,204,920	1,000,000	6,806	1FE
796253-U6-7	SAN ANTONIO TEX ELEC & GAS REV MUNI BND REV 5.000% 02/01/19		09/14/2011	RAYMOND JAMES		1,949,248	1,600,000	10,667	1FE
927781-YL-2	VIRGINIA COLLEGE BLDG AUTH VA MUNI BND REV 5.000% 02/01/17		08/09/2011	J.P. MORGAN SECURITIES INC		4,765,720	4,000,000	0	1FE
928172-PZ-2	VIRGINIA ST PUB BLDG AUTH PUB MUNI BND REV 5.000% 08/01/17		07/19/2011	JEFFRIES & CO. INC.		3,402,417	2,865,000	68,044	1FE
3199999. Bonds - U.S. Special Revenues						27,224,859	22,900,000	186,998	XXX
8399997. Total - Bonds - Part 3						58,451,314	49,105,000	296,006	XXX
8399998. Total - Bonds - Part 5						XXX	XXX	XXX	XXX
8399999. Total - Bonds						58,451,314	49,105,000	296,006	XXX
8999997. Total - Preferred Stocks - Part 3						0	XXX	0	XXX
8999998. Total - Preferred Stocks - Part 5						XXX	XXX	XXX	XXX
8999999. Total - Preferred Stocks						0	XXX	0	XXX
039388-10-9	ARCH INSURANCE GROUP INC		09/30/2011	DIRECT	0.000	3,593,062			
03941*-10-6	ARCH RE FACULTATIVE UNDERWRITERS		09/30/2011	DIRECT	0.000	260,299			
9199999. Common Stocks - Parent, Subsidiaries and Affiliates						3,853,361	XXX	0	XXX
9799997. Total - Common Stocks - Part 3						3,853,361	XXX	0	XXX
9799998. Total - Common Stocks - Part 5						XXX	XXX	XXX	XXX
9799999. Total - Common Stocks						3,853,361	XXX	0	XXX
9899999. Total - Preferred and Common Stocks						3,853,361	XXX	0	XXX
9999999 - Totals						62,304,675	XXX	296,006	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change In Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in Book/Adjusted Carrying Value (11 + 12 - 13)	Total Foreign Exchange Change in Book/Adjusted Carrying Value	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
.912827-7B-2	UNITED STATES TREASURY GOVT BND 5.000% 08/15/11		08/15/2011	Maturity		240,000	240,000	249,928	240,983	.0	(983)	.0	(983)	.0	240,000	.0	.0	.0	12,000	08/15/2011	1	
.912828-FY-1	UNITED STATES TREASURY GOVT BND 4.625% 11/15/16		09/22/2011	BARR BROTHERS & CO. INC.		2,112,382	1,775,000	1,749,900	1,758,673	.0	1,782	.0	1,782	.0	1,760,456	.0	351,926	351,926	70,270	11/15/2016	1	
.912828-HR-4	UNITED STATES TREASURY GOVT BND 3.500% 02/15/18		09/02/2011	BARR BROTHERS & CO. INC.		2,279,055	2,000,000	1,945,156	1,958,162	.0	3,533	.0	3,533	.0	1,961,695	.0	317,360	317,360	74,185	02/15/2018	1	
.912828-JK-7	UNITED STATES TREASURY GOVT BND 3.125% 08/31/13		09/20/2011	BARR BROTHERS & CO. INC.		338,311	320,000	321,251	320,701	.0	(199)	.0	(199)	.0	320,502	.0	17,809	17,809	10,577	08/31/2013	1	
.912828-QN-3	UNITED STATES TREASURY GOVT BND 3.125% 05/15/21		08/10/2011	BANC OF AMERICA SECURITIES LLC		5,292,714	5,000,000	5,093,770	.0	.0	(1,051)	.0	(1,051)	.0	5,092,719	.0	199,996	199,996	34,477	05/15/2021	1	
0599999. Bonds - U.S. Governments						10,262,462	9,335,000	9,360,005	4,278,519	0	3,082	0	3,082	0	9,375,372	0	887,091	887,091	201,509	XXX	XXX	
.658256-PF-3	NORTH CAROLINA ST MUNI BND GO 5.000% 05/01/16		09/06/2011	JEFFRIES & CO. INC.		4,118,990	3,825,000	4,265,066	4,173,877	.0	(102,013)	.0	(102,013)	.0	4,071,865	.0	47,125	47,125	163,625	05/01/2016	1FE	
.70914P-MM-1	PENNSYLVANIA ST MUNI BND GO 5.000% 05/01/13		09/14/2011	J.P. MORGAN SECURITIES INC		2,150,120	2,000,000	2,227,160	2,181,424	.0	(55,142)	.0	(55,142)	.0	2,126,282	.0	23,838	23,838	88,333	05/01/2013	1FE	
.882722-YF-2	TEXAS ST MUNI BND GO 5.000% 08/01/18		07/22/2011	LOOP CAPITAL MARKETS		2,369,120	2,000,000	2,388,020	.0	.0	(5,962)	.0	(5,962)	.0	2,382,058	.0	(12,938)	(12,938)	11,944	08/01/2018	1FE	
.93974C-RK-8	WASHINGTON STATE MUNI BND GO 5.000% 01/01/16		09/12/2011	LOOP CAPITAL MARKETS		3,521,100	3,000,000	3,529,800	.0	.0	(7,458)	.0	(7,458)	.0	3,522,342	.0	(1,242)	(1,242)	30,833	01/01/2016	1FE	
1799999. Bonds - U.S. States, Territories and Possessions						12,159,330	10,825,000	12,410,046	6,355,301	0	(170,575)	0	(170,575)	0	12,102,547	0	56,783	56,783	294,735	XXX	XXX	
.31416B-MD-7	FNMA POOL # 995056 2.415% 06/01/36		09/01/2011	Paydown		.72,203	.72,203	.72,045	.72,045	.0	.157	.0	.157	.0	.72,203	.0	.0	.0	1,224	06/01/2036	1	
.38373M-SX-9	GNMA CMBS 06-5 A 4.241% 07/16/29		09/01/2011	Paydown		1,388,929	1,388,929	1,354,423	1,369,538	.0	19,391	.0	19,391	.0	1,388,929	.0	.0	.0	39,155	07/16/2029	1	
.38376G-HD-5	GNMA AGENCY CMBS 10-48 AC 4.229% 02/16/40		09/01/2011	Paydown		337,718	337,718	358,588	.0	.0	(20,870)	.0	(20,870)	.0	337,718	.0	.0	.0	4,604	07/16/2017	1	
.49151E-BT-3	5.000% 08/01/15		08/23/2011	LOOP CAPITAL MARKETS		1,152,950	1,000,000	1,129,960	.0	.0	(4,178)	.0	(4,178)	.0	1,125,782	.0	27,168	27,168	6,806	08/01/2015	1FE	
.645916-XE-2	NEW JERSEY ECONOMIC DEV AUTO R MUNI BND REV 5.000% 09/01/24		09/29/2011	MERRILL LYNCH PIERCE FINR & SM		5,873,850	5,400,000	6,089,202	6,065,862	.0	(28,418)	.0	(28,418)	.0	6,037,443	.0	(163,593)	(163,593)	294,750	09/01/2024	1FE	
.67766H-ML-3	OHIO ST WTR DEV AUTH WTR POLLU MUNI BND REV 5.000% 06/01/24		07/18/2011	JEFFRIES & CO. INC.		5,623,100	5,000,000	5,708,850	5,684,919	.0	(22,037)	.0	(22,037)	.0	5,662,881	.0	(39,781)	(39,781)	159,722	06/01/2024	1FE	
.914402-XL-1	UNIVERSITY MD SYS AUXILIARY FA MUNI BND REV 5.250% 04/01/16		08/23/2011	LOOP CAPITAL MARKETS		2,059,620	2,000,000	2,173,640	2,077,535	.0	(23,918)	.0	(23,918)	.0	2,053,617	.0	6,003	6,003	42,292	04/01/2016	1FE	
.92774G-FD-2	VIRGINIA BEACH VA DEV AUTH MUNI BND REV 5.000% 08/01/16		07/06/2011	Various		4,670,600	4,000,000	4,599,120	4,543,065	.0	(46,698)	.0	(46,698)	.0	4,496,368	.0	174,232	174,232	188,889	08/01/2016	1FE	
.927780-3N-4	VIRGINIA COLLEGE BLDG AUTH VA MUNI BND REV 5.000% 02/01/21		07/19/2011	JEFFRIES & CO. INC.		2,778,575	2,500,000	2,838,825	2,815,100	.0	(56,247)	.0	(56,247)	.0	2,758,853	.0	19,722	19,722	121,875	02/01/2021	1FE	
3199999. Bonds - U.S. Special Revenues						23,957,545	21,698,850	24,324,653	22,628,065	0	(182,818)	0	(182,818)	0	23,933,794	0	23,751	23,751	859,317	XXX	XXX	
.03063T-AF-7	AMCAR 07-DF ABS 07-DF-A 5.560% 06/06/14		09/06/2011	Paydown		440,576	440,576	456,341	450,550	.0	(9,973)	.0	(9,973)	.0	440,576	.0	.0	.0	16,305	11/06/2013	1FE	
.233050-AN-3	DBUBS MORTGAGE TRUST DBUBS_11- CMBS_11-LC1A A1 144A 3.742% 11/10/46		09/01/2011	Paydown		49,746	49,746	50,624	.0	.0	(878)	.0	(878)	.0	49,746	.0	.0	.0	816	11/10/2020	1FE	
.36186C-BF-9	ALLY FINANCIAL INC CORP BND GOVT GUAR 2.200% 12/19/12		09/22/2011	J.P. MORGAN SECURITIES INC		5,114,600	5,000,000	4,925,500	4,957,594	.0	15,682	.0	15,682	.0	4,973,275	.0	141,325	141,325	84,944	12/19/2012	1FE	
.46625Y-CU-5	JPMCC CMBS 04-LN2 4.475% 07/15/41		09/01/2011	Paydown		46,809	46,809	44,755	45,926	.0	883	.0	883	.0	46,809	.0	.0	.0	1,325	07/15/2041	1Z*	
.48123B-AD-5	JPMRT ABS 06-A A4 144A 5.140% 12/15/14		09/15/2011	Paydown		166,653	166,653	167,773	166,901	.0	(248)	.0	(248)	.0	166,653	.0	.0	.0	5,677	11/15/2011	1FE	
.61913P-AA-0	MHL CMO 04-1 1.015% 11/25/34		09/26/2011	Paydown		.882	.882	.882	.882	.0	.0	.0	.0	.0	.882	.0	.0	.0	.7	11/25/2034	1Z*	
.86359B-KB-6	STRUCTURED ASSET SEC CORP WHOLE CMO 04-3AC 2.364% 03/25/34		09/01/2011	Paydown		.385	.385	.395	.388	.6	(10)	.0	(4)	.0	.385	.0	.0	.0	.7	02/25/2034	1Z*	
.064149-C3-9	BANK OF NOVA SCOTIA CORP BND 144A 1.450% 07/26/13	A	09/20/2011	J.P. MORGAN SECURITIES INC		6,077,220	6,000,000	5,991,600	5,992,787	.0	2,018	.0	2,018	.0	5,994,806	.0	82,414	82,414	100,775	07/26/2013	1FE	
.876780-AA-5	TAYARRA LTD CORP BND 3.628% 02/15/22	F	08/15/2011	Redemption	100.0000	123,533	123,533	123,533	123,533	.0	.0	.0	.0	.0	123,533	.0	.0	.0	3,361	02/15/2022	1	
3899999. Bonds - Industrial and Miscellaneous (Unaffiliated)						12,020,404	11,828,584	11,761,403	11,738,561	6	7,474	0	7,480	0	11,796,665	0	223,739	223,739	213,217	XXX	XXX	
8399997. Total - Bonds - Part 4						58,399,741	53,687,434	57,856,107	45,000,446	6	(342,837)	0	(342,831)	0	57,208,378	0	1,191,364	1,191,364	1,568,778	XXX	XXX	
8399998. Total - Bonds - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999. Total - Bonds						58,399,741	53,687,434	57,856,107	45,000,446	6	(342,837)	0	(342,831)	0	57,208,378	0	1,191,364	1,191,364	1,568,778	XXX	XXX	
8999997. Total - Preferred Stocks - Part 4						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
8999998. Total - Preferred Stocks - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8999999. Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX

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STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1 CUSIP Ident- ification	2 Description	3 For- eign	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consid- eration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change In Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Design- ation or Market In- dicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amor- tization)/ Accretion	13 Other Than Temporary Impairment Recogn- ized	14 Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13)	15 Total Foreign Exchange Change in Book /Adjusted Carrying Value							
9799997. Total - Common Stocks - Part 4						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799998. Total - Common Stocks - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9799999. Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999. Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999 - Totals						58,399,741	XXX	57,856,107	45,000,446	6	(342,837)	0	(342,831)	0	57,208,378	0	1,191,364	1,191,364	1,568,778	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues.....

Schedule DB - Part A - Section 1 - Options, Caps, Floors, Collars, Swaps and Forwards Open

N O N E

Schedule DB - Part B - Section 1 - Futures Contracts Open

N O N E

Schedule DB - Part B - Section 1B - Brokers with whom cash deposits have been made

N O N E

Schedule DB - Part D - Counterparty Exposure for Derivative Instruments Open

N O N E

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE Arch Reinsurance Company

SCHEDULE DL - PART 1
SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Designation/ Market Indicator	4 Fair Value	5 Book/Adjusted Carrying Value	6 Maturity Dates
0599999. Total - U.S. Government Bonds			0	0	XXX
1099999. Total - All Other Government Bonds			0	0	XXX
1799999. Total - U.S. States, Territories and Possessions Bonds			0	0	XXX
2499999. Total - U.S. Political Subdivisions Bonds			0	0	XXX
3199999. Total - U.S. Special Revenues Bonds			0	0	XXX
3899999. Total - Industrial and Miscellaneous (Unaffiliated) Bonds			0	0	XXX
4199999. Total - Credit Tenant Loans			0	0	XXX
4899999. Total - Hybrid Securities			0	0	XXX
5599999. Total - Parent, Subsidiaries and Affiliates Bonds			0	0	XXX
7799999. Total - Issuer Obligations			0	0	XXX
7899999. Total - Residential Mortgage-Backed Securities			0	0	XXX
7999999. Total - Commercial Mortgage-Backed Securities			0	0	XXX
8099999. Total - Other Loan-Backed and Structured Securities			0	0	XXX
8399999. Total Bonds			0	0	XXX
8999999. Total - Preferred Stocks			0	0	XXX
26200V-10-4 Dreyfus Institutional Cash			8,041,746	8,041,746	
9399999. Common Stocks - Money Market Mutual Funds			8,041,746	8,041,746	XXX
9799999. Total - Common Stocks			8,041,746	8,041,746	XXX
9899999. Total - Preferred and Common Stocks			8,041,746	8,041,746	XXX
9999999 - Totals			8,041,746	8,041,746	XXX

General Interrogatory:

- Total activity for the year to date Fair Value \$ 5,538,188 Book/Adjusted Carrying Value \$ 5,538,188
- Average balance for the year to date Fair Value \$ 3,887,198 Book/Adjusted Carrying Value \$ 3,887,198
- Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
 NAIC 1 \$ 8,041,746 NAIC 2 \$ NAIC 3 \$ NAIC 4 \$ NAIC 5 \$ NAIC 6 \$

**SCHEDULE DL - PART 2
SECURITIES LENDING COLLATERAL ASSETS**

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Designation/ Market Indicator	4 Fair Value	5 Book/Adjusted Carrying Value	6 Maturity Dates
0599999. Total - U.S. Government Bonds			0	0	XXX
1099999. Total - All Other Government Bonds			0	0	XXX
1799999. Total - U.S. States, Territories and Possessions Bonds			0	0	XXX
2499999. Total - U.S. Political Subdivisions Bonds			0	0	XXX
3199999. Total - U.S. Special Revenues Bonds			0	0	XXX
3899999. Total - Industrial and Miscellaneous (Unaffiliated) Bonds			0	0	XXX
4199999. Total - Credit Tenant Loans			0	0	XXX
4899999. Total - Hybrid Securities			0	0	XXX
5599999. Total - Parent, Subsidiaries and Affiliates Bonds			0	0	XXX
7799999. Total - Issuer Obligations			0	0	XXX
7899999. Total - Residential Mortgage-Backed Securities			0	0	XXX
7999999. Total - Commercial Mortgage-Backed Securities			0	0	XXX
8099999. Total - Other Loan-Backed and Structured Securities			0	0	XXX
8399999. Total Bonds			0	0	XXX
8999999. Total - Preferred Stocks			0	0	XXX
9799999. Total - Common Stocks			0	0	XXX
9899999. Total - Preferred and Common Stocks			0	0	XXX
9999999 - Totals			0	0	XXX

General Interrogatory:

1. Total activity for the year to date	Fair Value \$	0	Book/Adjusted Carrying Value \$	0
2. Average balance for the year to date	Fair Value \$	0	Book/Adjusted Carrying Value \$	0
3. Grand Total Schedule DL Part 1 and Part 2	Fair Value \$	8,041,746	Book/Adjusted Carrying Value \$	8,041,746

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due and Accrued	8 Amount Received During Year
NONE							
8699999 - Total Cash Equivalents							