



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

# QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2010  
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

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  
12th day of November 2010

- 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, 2010 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 .....	461,132,398		461,132,398	444,569,920
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....	591,752,035	1,531,572	590,220,463	584,088,551
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
5. Cash (\$ .....36,861,104 ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....11,029,174 ) .....	47,890,277		47,890,277	44,916,407
6. Contract loans (including \$ ..... premium notes) .....			0	0
7. Derivatives .....			0	0
8. Other invested assets .....			0	0
9. Receivables for securities .....	1,639,466		1,639,466	5,041,495
10. Aggregate write-ins for invested assets .....	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10) .....	1,102,414,176	1,531,572	1,100,882,604	1,078,616,373
12. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
13. Investment income due and accrued .....	3,701,432		3,701,432	4,440,958
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection .....	13,407,732	649,842	12,757,890	5,670,961
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....	81,739,210		81,739,210	81,435,490
14.3 Accrued retrospective premiums .....			0	0
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers .....	24,954,784		24,954,784	23,754,069
15.2 Funds held by or deposited with reinsured companies .....	1,146,694		1,146,694	674,068
15.3 Other amounts receivable under reinsurance contracts .....			0	0
16. Amounts receivable relating to uninsured plans .....			0	0
17.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
17.2 Net deferred tax asset .....	14,704,913	9,504,229	5,200,684	5,171,279
18. Guaranty funds receivable or on deposit .....			0	0
19. Electronic data processing equipment and software .....	115,379		115,379	106,807
20. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	406,445	406,445	0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
22. Receivables from parent, subsidiaries and affiliates .....			0	313,216
23. Health care (\$ ..... ) and other amounts receivable .....			0	0
24. Aggregate write-ins for other than invested assets .....	8,518,805	290,349	8,228,456	2,159,300
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24) .....	1,251,109,570	12,382,437	1,238,727,133	1,202,342,521
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
27. Total (Lines 25 and 26) .....	1,251,109,570	12,382,437	1,238,727,133	1,202,342,521
<b>DETAILS OF WRITE-INS</b>				
1001. ....				
1002. ....				
1003. ....				
1098. Summary of remaining write-ins for Line 10 from overflow page .....	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above) .....	0	0	0	0
2401. Advance Claim Payments .....	8,137,872		8,137,872	2,082,341
2402. Other .....	90,584		90,584	76,959
2403. Prepaid Expenses .....	290,349	290,349	0	0
2498. Summary of remaining write-ins for Line 24 from overflow page .....	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above) .....	8,518,805	290,349	8,228,456	2,159,300

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company  
**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 28,689,509 )	163,323,465	159,189,375
2. Reinsurance payable on paid losses and loss adjustment expenses	5,404,873	2,210,258
3. Loss adjustment expenses	21,258,963	19,795,584
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	9,300,619	11,851,265
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 1,669,479 on realized capital gains (losses))	7,449,555	663,415
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 133,506,649 and including warranty reserves of \$ )	33,224,822	33,576,060
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	87,036,833	89,119,607
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	485,849	486,317
17. Net adjustments in assets and liabilities due to foreign exchange rates	187,412	200,298
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		
20. Derivatives		0
21. Payable for securities	1,690,766	
22. Liability for amounts held under uninsured plans		
23. Capital notes \$ and interest thereon \$		
24. Aggregate write-ins for liabilities	32,478,885	34,777,240
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	361,842,042	351,869,419
26. Protected cell liabilities		
27. Total liabilities (Lines 25 and 26)	361,842,042	351,869,419
28. Aggregate write-ins for special surplus funds	0	0
29. Common capital stock	5,000,000	5,000,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes		0
33. Gross paid in and contributed surplus	610,963,318	595,183,025
34. Unassigned funds (surplus)	260,921,773	250,290,077
35. Less treasury stock, at cost:		
35.1 shares common (value included in Line 29 \$ )		
35.2 shares preferred (value included in Line 30 \$ )		
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	876,885,091	850,473,102
37. Totals	1,238,727,133	1,202,342,521
<b>DETAILS OF WRITE-INS</b>		
2401. Deposit Accounting Liability	32,478,885	34,777,240
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	32,478,885	34,777,240
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page	0	0
2899. Totals (Lines 2801 through 2803 plus 2898)(Line 28 above)	0	0
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)	0	0

**STATEMENT OF INCOME**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ ..... 0 )	5,002	10,537	12,323
1.2 Assumed (written \$ ..... 250,611,639 )	257,582,872	324,295,345	424,591,866
1.3 Ceded (written \$ ..... 200,616,036 )	207,241,032	260,888,640	341,709,790
1.4 Net (written \$ ..... 49,995,603 )	50,346,842	63,417,242	82,894,399
<b>DEDUCTIONS:</b>			
2. Losses incurred (current accident year \$ ..... 32,078,367 ):			
2.1 Direct .....	(60,851)	(56,119)	(71,166)
2.2 Assumed .....	116,866,652	161,390,816	203,790,618
2.3 Ceded .....	91,368,459	124,821,663	157,359,350
2.4 Net .....	25,437,342	36,513,034	46,360,102
3. Loss adjustment expenses incurred .....	3,775,061	2,995,356	4,745,875
4. Other underwriting expenses incurred .....	12,153,002	12,597,502	22,251,771
5. Aggregate write-ins for underwriting deductions .....	0	0	0
6. Total underwriting deductions (Lines 2 through 5) .....	41,365,405	52,105,892	73,357,748
7. Net income of protected cells .....			
8. Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7) .....	8,981,437	11,311,350	9,536,651
<b>INVESTMENT INCOME</b>			
9. Net investment income earned .....	9,902,800	11,348,405	15,182,947
10. Net realized capital gains (losses) less capital gains tax of \$ ..... 1,669,479	3,100,461	3,564,690	4,904,666
11. Net investment gain (loss) (Lines 9 + 10) .....	13,003,261	14,913,095	20,087,613
<b>OTHER INCOME</b>			
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 .....	17,746	442,589	449,312
15. Total other income (Lines 12 through 14) .....	17,746	442,589	449,312
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) .....	22,002,444	26,667,034	30,073,576
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) .....	22,002,444	26,667,034	30,073,576
19. Federal and foreign income taxes incurred .....	5,404,043	7,001,269	6,433,446
20. Net income (Line 18 minus Line 19)(to Line 22) .....	16,598,401	19,665,765	23,640,130
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year .....	850,473,102	766,007,986	766,007,986
22. Net income (from Line 20) .....	16,598,401	19,665,765	23,640,130
23. Net transfers (to) from Protected Cell accounts .....			
24. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	(7,106,302)	44,008,327	50,115,864
25. Change in net unrealized foreign exchange capital gain (loss) .....	12,886	(446,778)	(449,679)
26. Change in net deferred income tax .....	(352,599)	744,815	245,996
27. Change in nonadmitted assets .....	1,478,842	(2,817,034)	(3,634,053)
28. Change in provision for reinsurance .....	468	(261,000)	(354,317)
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 .....	15,780,293	10,659,683	14,901,175
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) .....	26,411,989	71,553,778	84,465,116
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38) .....	876,885,091	837,561,764	850,473,102
<b>DETAILS OF WRITE-INS</b>			
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 Expense .....	17,746	442,589	449,312
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) .....	17,746	442,589	449,312
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, 2010 OF THE Arch Reinsurance Company

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	41,829,810	63,198,511	79,032,480
2. Net investment income .....	12,374,162	13,082,211	16,352,098
3. Miscellaneous income .....	(454,880)	483,261	497,291
4. Total (Lines 1 to 3) .....	53,749,092	76,763,983	95,881,869
5. Benefit and loss related payments .....	25,364,883	25,715,848	18,380,438
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 .....	17,015,330	18,147,718	26,228,857
8. Dividends paid to policyholders .....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	287,382	6,850,085	9,359,956
10. Total (Lines 5 through 9) .....	42,667,595	50,713,651	53,969,250
11. Net cash from operations (Line 4 minus Line 10) .....	11,081,496	26,050,332	41,912,619
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	308,772,917	282,535,444	374,328,727
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 .....	5,092,795	11,480,739	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	313,865,712	294,016,183	374,328,727
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	322,390,660	306,971,727	427,840,994
13.2 Stocks .....	13,625,279	8,607,561	11,998,841
13.3 Mortgage loans .....	0	0	0
13.4 Real estate .....	0	0	0
13.5 Other invested assets .....	0	0	0
13.6 Miscellaneous applications .....	0	7,392,509	4,762,650
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	336,015,939	322,971,797	444,602,485
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) .....	(22,150,227)	(28,955,614)	(70,273,758)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....	0	0	0
16.2 Capital and paid in surplus, less treasury stock .....	15,780,293	10,659,683	14,901,175
16.3 Borrowed funds .....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	(2,298,355)	(1,853,821)	(1,981,162)
16.5 Dividends to stockholders .....	0	0	0
16.6 Other cash provided (applied) .....	560,662	93,579	364,103
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	14,042,600	8,899,441	13,284,116
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	2,973,869	5,994,159	(15,077,023)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	44,916,407	59,993,431	59,993,431
19.2 End of period (Line 18 plus Line 19.1) .....	47,890,277	65,987,590	44,916,407

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

20.0001. 7.1 Non-Cash Compensation .....	1,867,632	2,168,037	2,971,858
20.0002. 9.0 Federal Tax Benefits .....	287,383	(115,915)	(69,524)
20.0003. 13.2 Cost of Affiliate Investment Acquired - Stocks .....	13,625,279	8,607,561	11,998,841
20.0004. 16.2 Capital Paid in Surplus .....	13,625,279	8,607,561	11,998,841
20.0005. 16.2 Capital Paid in Surplus .....	1,659,271	1,649,585	2,344,374
20.0006. 16.2 Capital Paid in Surplus .....	495,744	402,537	557,960

**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**

The Company participates in a securities lending program as a mechanism for generating additional interest income on its fixed income portfolio. Under the security lending agreements, certain of its fixed income portfolio securities are loaned to third parties, primarily major brokerage firms for short periods of time through a lending agent. The Company as the lender maintains legal control over the securities it lends, retains the earnings and cash flows associated with the loaned securities and receives a fee from the borrower for the temporary use of the securities. Collateral received, primarily in the form of cash and government securities are required at a rate of 102% of the fair market value of the loaned securities including accrued investment income and is monitored and maintained by the lending agent. The collateral is not available for general use and as such the Company does not report it as an asset and a corresponding liability in the Statements of Admitted Assets, Liabilities and Capital and Surplus.

At September 30, 2010 the fair value and amortized cost of fixed maturities pledged under the security lending agreement were \$4.9 million and \$4.8 million, respectively. Cash collateral received at September 30, 2010, which is not included on the balance sheet, totaled \$5.0 million. At September 30, 2010, securities purchased with the cash collateral have a fair value of \$5.0 million.

- 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.

**NOTES TO FINANCIAL STATEMENTS**

- (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.
- (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	34	(\$1)	\$34	(\$6)	\$68	(\$7)
Multi-class commercial mortgage-backed/asset-backed securities						
<b>Total</b>	<b>34</b>	<b>(\$1)</b>	<b>\$34</b>	<b>(\$6)</b>	<b>\$68</b>	<b>(\$7)</b>

- (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. For those securities in an unrealized loss position as of September 30, 2010, the Company has not made a decision to sell any such securities. 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, 2010, 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 these securities to be recovered. The conclusions are supported by a detailed analysis of the underlying credit and cash flows on each 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, 2010 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 (in thousands):**

	<b>Capital</b>	<b>Ordinary</b>	<b>Total</b>
<b>September 30, 2010</b>			
1. Gross deferred tax asset	\$50	\$14,735	14,785
2. Gross deferred tax liabilities	-	(80)	(80)
3. Net deferred tax asset	50	14,655	14,705
4. Deferred tax asset non-admitted	-	(9,504)	(9,504)
5. Admitted deferred tax asset	50	5,151	5,201
6. Increase (decrease) in non-admitted DTA	-	(\$382)	(\$382)
<b>December 31, 2009</b>			
1. Gross deferred tax asset	\$50	\$15,087	15,137
2. Gross deferred tax liabilities	-	(80)	(80)
3. Net deferred tax asset	50	15,007	15,057
4. Deferred tax asset non-admitted	-	(9,886)	(9,886)
5. Admitted deferred tax asset	50	5,121	5,171
6. Increase (decrease) in non-admitted DTA	-	\$1,901	\$1,901

7. The Company has not elected to admit additional DTA's pursuant to 10R, paragraph 10(e). The current period election does not differ from the prior reporting period.
8. Not applicable.
9. The amount of each result or component of the calculation by tax character, of paragraphs 10.a., 10.b.ii., and 10.c.:  
"no change"
10. The following amounts resulting from the calculation in paragraphs 10.a., 10.b., and 10.c.:  
"no change"
- B. Unrecognized DTL's** "no change"

**C. Current Tax and Change in Deferred Tax**

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

	<b>Sept. 30, 2010</b>	<b>Dec. 31, 2009</b>
Current year income tax expense	\$5,405	6,767
Prior year over-accrual	-	(333)
Subtotal – Federal income tax expense	5,405	6,433
Federal income taxes on net realized losses	1,669	2,641
Federal income tax incurred	\$7,074	9,074

**NOTES TO FINANCIAL STATEMENTS**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows (in thousands):

	<b>Sept. 30, 2010</b>	<b>Dec. 31, 2009</b>	<b>Change</b>
Loss reserves	\$8,381	\$8,130	\$251
Unearned premium reserves	2,326	2,350	(24)
AMT	-	-	-
Deferred compensation	2,278	2,196	82
Other than temporary impairments	50	50	-
Non-admitted assets	1,007	1,391	(384)
Unrealized depreciation on foreign exchange	66	70	(4)
Other deferred tax assets	677	950	(273)
Gross deferred tax assets	<u>14,785</u>	<u>15,137</u>	<u>(352)</u>
Non-admitted deferred tax asset	<u>(\$9,504)</u>	<u>(\$9,886)</u>	<u>\$382</u>
Investments	\$77	\$77	-
Unrealized appreciation on investments	-	-	-
Unrealized appreciation on foreign exchange	-	-	-
Other deferred tax liabilities	3	3	-
Gross deferred tax liabilities	<u>\$80</u>	<u>\$80</u>	<u>-</u>

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

	<b>Sept. 30, 2010</b>	<b>Dec. 31, 2009</b>	<b>Change</b>
Gross deferred tax asset	\$14,785	\$15,137	(\$352)
Gross deferred tax liabilities	(80)	(80)	-
Net deferred tax asset	<u>\$14,705</u>	<u>\$15,057</u>	<u>(352)</u>
Tax effect of unrealized gains			-
Tax effect of unrealized foreign exchange gains/losses			5
Change in net deferred income tax			<u>(\$347)</u>

**D. Reconciliation of Federal Income Tax Rate to Actual Effective 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:

	<b>Amount</b>	<b>Tax Effect 35%</b>	<b>Effective Tax Rate</b>
Statutory income before taxes	\$22,003		
Tax on net realized gains	1,669		
Income before taxes	<u>23,672</u>	\$8,285	35.0%
Tax exempt interest, net of proration	(3,731)	(1,306)	-5.5%
Travel and entertainment	47	16	0.1%
Other non-deductible items	120	42	0.2%
Change in non-admitted assets	1,097	384	1.6%
Total	<u>\$21,205</u>	<u>\$7,421</u>	<u>31.3%</u>
Federal income taxes incurred		\$7,074	29.9%
Change in net deferred income tax		347	1.5%
Total statutory income taxes		<u>\$7,421</u>	<u>31.3%</u>

**E. Operating Loss and Tax Credit Carry-forwards**

At September 30, 2010, the Company has no net operating loss carry-forwards, or net capital loss carry-forwards.

**NOTES TO FINANCIAL STATEMENTS**

- (2) The following are income tax expenses for 2010 and 2009 that are available for recoupment in the event of future net losses (in thousands):

<b>Year</b>	<b>Amount</b>
2010	6,786
2009	9,477

- (3) Protective Tax Deposits: “no change”

**F. Consolidated Federal Income tax return**

- (1) For the tax period ending September 30, 2010, the Company's federal income tax return is consolidated with the following companies:

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

- (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.

**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 \$4.7 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 2010; 1) \$137.6 thousand to its parent Arch Capital, to settle intercompany expenses for the nine months of 2010; 2) \$326.7 thousand to its affiliate Arch Investment Management Limited, (“AIM”) to settle investment advisory services for the fourth quarter of 2009 and the first through third quarters of 2010; 3) \$1.3 million to its subsidiary Arch Insurance Group, Inc., (“Arch Insurance Group”) to settle management fees for the first nine months of 2010 and 4) \$4.9 million to its subsidiary ARFU, to settle estimated administrative service fees for the first nine months of 2010.

**NOTES TO FINANCIAL STATEMENTS**

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, 2010 and December 31, 2009 was \$590.2 million and \$584.1 million, respectively.

J. Write-down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies	“no change”
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**11. Debt**

A. Capital Notes	“no change”
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**B. All Other Debt**

As of September 30, 2010, Arch Capital, and various designated subsidiary borrowers including the Company (“The Group”) had a \$300 million unsecured revolving loan and letter of credit facility and a \$1.0 billion secured letter of credit facility (the “Credit Agreement”). The \$300 million unsecured revolving loan is also available for the issuance of unsecured letters of credit up to \$100 million for the Company. 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. 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 shareholders’ equity in excess of \$1.95 billion plus 25% of future aggregate net income for each quarterly period (not including any future net losses) beginning after June 30, 2006 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, 2010, the Group was in compliance with all covenants contained in the Credit Agreement. The Credit Agreement expires on August 30, 2011.

Including the secured letter of credit portion of the Credit Agreement and another letter of credit facility (together, the “LOC Facilities”), the Group has access to letter of credit facilities for up to a total of \$1.45 billion. 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.

**NOTES TO FINANCIAL STATEMENTS**

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, 2010. 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, 2010, the Group had \$703.2 million (of which \$65.0 million relates to the Company) in outstanding letters of credit under the LOC Facilities, which were secured by investments with a market value of \$785.4 million (of which \$81.4 million relates to the Company).

**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"

**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:	\$108,442
2. Non-admitted asset values:	\$12,382
3. Provision for reinsurance:	(\$486)

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 2010 was \$718 thousand.

**NOTES TO FINANCIAL STATEMENTS****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”****20. 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”

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

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

**C. Reinsurance Assumed and Ceded**

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium Reserve	Comm. Equity	Premium Reserve	Comm. Equity	Premium Reserve	Comm. Equity
Affiliates	\$3,305,392	\$827,909	\$133,088,016	\$42,785,521	(\$129,782,624)	(\$41,957,612)
All Others	<u>163,426,077</u>	<u>32,743,335</u>	<u>418,633</u>	<u>-</u>	<u>163,007,444</u>	<u>32,743,335</u>
Total	<u>\$166,731,469</u>	<u>\$33,571,244</u>	<u>\$133,506,649</u>	<u>\$42,785,521</u>	<u>\$33,224,820</u>	<u>(\$9,214,277)</u>
Direct Unearned Premium Reserve			<u>\$0</u>			

**NOTES TO FINANCIAL STATEMENTS**

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 \$29.0 million, offset by a corresponding liability of \$32.5 million and unassigned surplus of \$3.5 million, which includes income statement items, consisting of current year interest income of \$17.7 thousand. The following is a listing of contract detail as of September 30, 2010 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					
Yield Adjustment	1.84%				0
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	1,979,178
2009 YTD interest income***		34,651			2,013,829
Yield Adjustment	1.74%	-1,562			2,012,267
2010 YTD deposits and recoveries				0	2,012,267
2010 YTD interest income***		26,182			2,038,449
Inception to Date		238,449	1,800,000	0	2,038,449

## STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company

**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	3,207,982
2009 YTD interest income***		40,531			3,248,512
Yield Adjustment	1.25%	-2,840			3,245,672
2010 YTD deposits and recoveries				0	3,245,672
2010 YTD interest income***		30,311			3,275,983
Inception to Date		241,521	3,034,463	0	3,275,983

**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	2,219,166
2009 YTD interest income***		8,385			2,227,551
Yield Adjustment	0.38%	-251			2,227,300
2010 YTD deposits and recoveries				0	2,227,300
2010 YTD interest income***		6,265			2,233,566
Inception to Date		42,009	2,191,556	0	2,233,566

## STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company

**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	-8.91%	-10,485			42,489
2010 YTD deposits and recoveries			34,044	-53,847	22,686
2010 YTD interest income***		-252			22,434
Inception to Date		-940,359	8,746,080	-7,783,287	22,434

**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
2009 YTD interest income***		0			0
Yield Adjustment	-20.38%	0			0
2010 YTD deposits and recoveries				0	0
2010 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	147
2009 YTD interest income***		-148			-1
Yield Adjustment	-17.51%	0			-1
2010 YTD deposits and recoveries				0	-1
2010 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
2009 YTD interest income***		0			0
Yield Adjustment	-27.05%	0			0
2010 YTD deposits and recoveries				0	0
2010 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
2009 YTD interest income***		0			0
Yield Adjustment	0.53%	0			0
2010 YTD deposits and recoveries				0	0
2010 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	-17.49%	5,459			40,757
2010 YTD deposits and recoveries				0	40,757
2010 YTD interest income***		-5,472			35,285
Inception to Date		-1,175,929	9,870,578	-8,659,364	35,285

**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					
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				-57,205	3,462
2009 YTD interest income***		20,572			24,034
Yield Adjustment	67.66%	-5,539			18,495
2010 YTD deposits and recoveries				0	18,495
2010 YTD interest income***		8,755			27,250
Inception to Date		3,713,448	12,764,129	-16,450,327	27,250

**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	-8.21%	38,767			43,406
2010 YTD deposits and recoveries				0	43,406
2010 YTD interest income***		-2,703			40,704
Inception to Date		-499,335	2,301,293	-1,761,255	40,704

**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
Inception to Date		-15,741	270,916	-255,175	0

## STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company

**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	0.66%	-9,331			8,845,011
2010 YTD deposits and recoveries			-45,075	-509,465	8,290,472
2010 YTD interest income***		42,014			8,332,486
Inception to Date		439,466	10,649,766	-2,756,746	8,332,486

## STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company

**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	-1.38%	-20,585			16,056,258
2010 YTD deposits and recoveries			-1,261,612	-253,163	14,541,483
2010 YTD interest income***		-157,907			14,383,576
Inception to Date		-1,374,559	16,630,101	-871,966	14,383,576

## STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company

**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
<hr/> Deposit Balance at 12/31/02 <hr/>					
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%	-81			2,233,600
2010 YTD deposits and recoveries			-102,609	-39,800	2,091,191
2010 YTD interest income***		1,551			2,092,741
<hr/>					
Inception to Date		10,835	2,429,187	-347,280	2,092,741

**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				3,614	2,747
2009 YTD interest income***		-2,747			0
Yield Adjustment	-42.37%	1,631			1,631
2010 YTD deposits and recoveries				881	2,512
2010 YTD interest income***		-2,513			0
Inception to Date		-441,092	2,431,604	-1,990,512	0

**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
Deposit Balance at 12/31/02					
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
Inception to Date		-520,717	520,717	0	0

## STATEMENT AS OF SEPTEMBER 30, 2010 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***		16,192			-3,588
Inception to Date		4,076,790	5,956,224	-10,036,602	-3,588

**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	19,831			34,797,071
2010 YTD deposits and recoveries		-1,375,252	-905,358	32,516,462
2010 YTD interest income***	-37,577			32,478,885
Inception to Date	3,465,385	85,897,680	-56,884,180	32,478,885

\* 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.

23. Retrospectively Rated Contracts "no change"
24. Changes in Incurred Losses and Loss Adjustment Expenses
- The Company's incurred losses and loss adjustment expenses for accident years 2002 through 2009 decreased from \$381.4 million at December 31, 2009 to \$375.5 million at September 30, 2010 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.
25. Intercompany Pooling Agreements "no change"
26. Structured Settlements "no change"
27. Health Care Receivables "no change"
28. Participating Accident and Health Policies "no change"
29. Premium Deficiency Reserves "no change"

**NOTES TO FINANCIAL STATEMENTS**

- |     |   |             |
|-----|---|-------------|
| 30. | High Deductibles  | “no change” |
| 31. | Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses | “no change” |
| 32. | Asbestos and Environmental Reserve  | “no change” |
| 33. | Subscriber Savings Accounts   | “no change” |
| 34. | Multiple Peril Crop Insurance   | “no change” |
| 35. | 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
- 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: ..... \$ .....

**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: ..... \$ .....0
13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....0
- 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 .....	\$ .....585,236,617	\$ .....591,752,035
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) .....	\$ .....585,236,617	\$ .....591,752,035
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, 2010 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 3, III Conducting Examinations, F - 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 Center, Pittsburgh, PA 15258 .....
RBC 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 [ X ] No [ ]

16.4 If yes, give full information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Bank of New York .....	N/A .....	09/17/2010 .....	Trust Terminated .....

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 Location	5 Is Insurer Authorized? (Yes or No)
<h1>NONE</h1>				

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE Arch Reinsurance Company  
**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Current Year to Date - Allocated by States and Territories

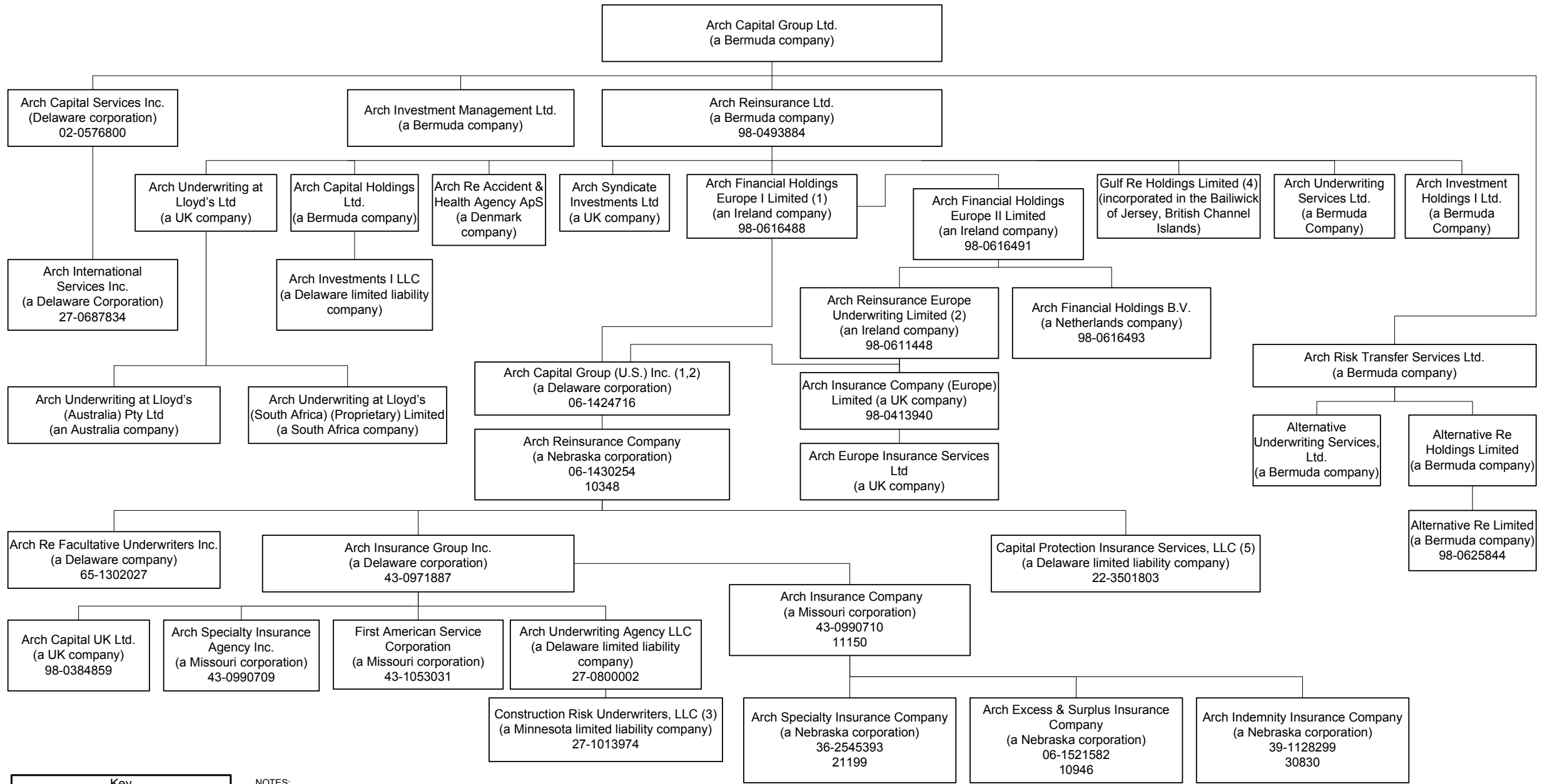
	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date
1. Alabama AL	L						
2. Alaska AK	L						
3. Arizona AZ	L						
4. Arkansas AR	L						
5. California CA	L		0		0	33,117	39,980
6. Colorado CO	L						
7. Connecticut CT	L						
8. Delaware DE	L						
9. District of Columbia DC	L		0		0	54,649	65,974
10. Florida FL	L		0		0	21,462	25,911
11. Georgia GA	L		0		0	20,194	24,378
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		0		0	32,004	38,635
32. New Mexico NM	L						
33. New York NY	L		1,154		0	43,044	51,965
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		1,733		0	193,922	227,950
40. Rhode Island RI	L						
41. South Carolina SC	L						
42. South Dakota SD	L						
43. Tennessee TN	L						
44. Texas TX	L		7,650		0	0	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	10,537	0	0	398,392	474,793
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, 2010 OF THE Arch Reinsurance Company

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP – PART 1 – ORGANIZATIONAL CHART**



11

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

- NOTES:
- (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 Underwriting Agency LLC is a managing member of and has a 50% voting interest in Construction Risk Underwriters, LLC
  - (4) Arch Reinsurance Ltd. has a 50% voting interest in Gulf Re Holdings Limited
  - (5) Arch Reinsurance Company has a 49% voting interest in Capital Protection Insurance Services, LLC
  - (6) Unless otherwise indicated, the ownership percentage among the Arch Capital Group Ltd. subsidiary companies is 100%.

STATEMENT AS OF SEPTEMBER 30, 2010 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	5,002	(60,851)	(1,216.5)	(532.6)
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	5,002	(60,851)	(1,216.5)	(532.6)
<b>DETAILS OF WRITE-INS</b>				
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		10,537
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	10,537
<b>DETAILS OF WRITE-INS</b>			
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, 2010 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)	2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2010 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. 2007 + Prior .....	22,053	62,358	84,411	8,185	692	8,877	17,450	2,403	52,576	72,429	3,582	(6,687)	(3,105)
2. 2008 .....	9,374	33,050	42,424	3,167	755	3,922	7,835	1,654	27,565	37,054	1,628	(3,076)	(1,448)
3. Subtotals 2008 + Prior .....	31,427	95,408	126,835	11,352	1,447	12,799	25,285	4,057	80,141	109,483	5,210	(9,763)	(4,553)
4. 2009 .....	8,165	43,984	52,149	5,194	2,012	7,206	6,101	2,391	34,489	42,981	3,130	(5,092)	(1,962)
5. Subtotals 2009 + Prior .....	39,592	139,392	178,984	16,546	3,459	20,005	31,386	6,448	114,630	152,464	8,340	(14,855)	(6,515)
6. 2010 .....	XXX	XXX	XXX	XXX	3,610	3,610	XXX	3,277	28,841	32,118	XXX	XXX	XXX
7. Totals .....	39,592	139,392	178,984	16,546	7,069	23,615	31,386	9,725	143,471	184,582	8,340	(14,855)	(6,515)
8. Prior Year-End Surplus As Regards Policyholders	850,473										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. 21.1	2. (10.7)	3. (3.6)
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. (0.8)

# 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.

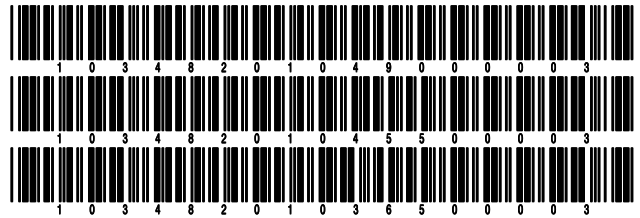
	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement? .....	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement? .....	NO
3. Will the Medicare Part D Coverage Supplement be filed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

Explanations:

- 1.
- 2.
- 3.

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]



**OVERFLOW PAGE FOR WRITE-INS**

STATEMENT AS OF SEPTEMBER 30, 2010 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 .....	1,029,806,523	907,605,220
2. Cost of bonds and stocks acquired .....	336,015,939	439,839,835
3. Accrual of discount .....	715,190	1,235,368
4. Unrealized valuation increase (decrease) .....	(7,106,302)	50,115,864
5. Total gain (loss) on disposals .....	4,673,021	7,597,775
6. Deduct consideration for bonds and stocks disposed of .....	308,772,917	374,328,727
7. Deduct amortization of premium .....	2,447,026	2,258,812
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) .....	1,052,884,428	1,029,806,523
11. Deduct total nonadmitted amounts .....	1,531,572	1,148,066
12. Statement value at end of current period (Line 10 minus Line 11)	1,051,352,856	1,028,658,457

STATEMENT AS OF SEPTEMBER 30, 2010 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
<b>BONDS</b>								
1. Class 1 (a) .....	475,344,655	115,655,185	122,939,866	(682,199)	475,225,348	475,344,655	467,377,775	463,934,630
2. Class 2 (a) .....	5,136,369	0	331,277	(21,289)	0	5,136,369	4,783,803	0
3. Class 3 (a) .....	0	0	0	0	0	0	0	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	480,481,024	115,655,185	123,271,143	(703,488)	475,225,348	480,481,024	472,161,578	463,934,630
<b>PREFERRED STOCK</b>								
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	480,481,024	115,655,185	123,271,143	(703,488)	475,225,348	480,481,024	472,161,578	463,934,630

(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 \$ 7,996,261 ; NAIC 2 \$ 0 ; NAIC 3 \$ 0 ; NAIC 4 \$ 0 ; NAIC 5 \$ 0 ; NAIC 6 \$ 0

S102

**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	11,029,173	XXX	11,027,519	2,091	0

**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 .....	19,364,712	27,796,487
2. Cost of short-term investments acquired .....	279,157,053	337,321,461
3. Accrual of discount .....	7,645	15,089
4. Unrealized valuation increase (decrease) .....	0	0
5. Total gain (loss) on disposals .....	3	256
6. Deduct consideration received on disposals .....	287,500,239	345,768,581
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) .....	11,029,174	19,364,712
11. Deduct total nonadmitted amounts .....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	11,029,174	19,364,712

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 .....	6,587,774	22,683,570
3. Accrual of discount .....	696	111
4. Unrealized valuation increase (decrease) .....	0	0
5. Total gain (loss) on disposals .....	0	0
6. Deduct consideration received on disposals .....	6,588,470	22,683,681
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, 2010 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 Desig- nation or Market Indicator (a)
912828-NK-2	UNITED STATES TREASURY GOVT BND 2.500% 06/30/17		07/26/2010	BANC OF AMERICA SECURITIES LLC		3,014,543	3,000,000	5,910	1
<b>0399999. Bonds - U.S. Governments</b>						3,014,543	3,000,000	5,910	XXX
604129-IX-0	MINNESOTA ST MUNI BND GO 5.000% 08/01/17		09/09/2010	RBC DOMINION SECURITIES INC.		2,417,180	2,000,000	0	1FE
917542-RE-4	UTAH ST MUNI BND GO 5.000% 07/01/14		09/24/2010	J.P. MORGAN SECURITIES INC		8,067,780	7,000,000	0	1FE
<b>1799999. Bonds - U.S. States, Territories and Possessions</b>						10,484,960	9,000,000	0	XXX
741701-F7-6	PRINCE GEORGES CNTY MD MUNI BND GO 5.000% 09/15/15		08/24/2010	BARR BROTHERS & CO. INC.		4,450,376	3,740,000	0	1FE
<b>2499999. Bonds - U.S. Political Subdivisions of States, Territories and Possessions</b>						4,450,376	3,740,000	0	XXX
46246K-ZY-1	IOWA FIN AUTH REV MUNI BND REV 5.000% 08/01/17		09/29/2010	JEFFRIES & CO. INC.		1,678,516	1,400,000	12,250	1FE
646065-VG-4	NEW JERSEY STATE EDUCATIONAL F MUNI BND REV 4.375% 07/01/29		08/25/2010	FIDELITY BANK		2,693,075	2,500,000	17,925	1FE
68607V-TV-7	OREGON ST BRD HIGHER ED MUNI BND REV 5.000% 04/01/15		09/23/2010	BARR BROTHERS & CO. INC.		3,663,780	3,135,000	77,069	1FE
<b>3199999. Bonds - U.S. Special Revenues</b>						8,035,371	7,035,000	107,244	XXX
064149-C3-9	BANK OF NOVA SCOTIA CORP BND 144A 1.450% 07/26/13	A.	07/15/2010	BARR BROTHERS & CO. INC.		9,986,000	10,000,000	0	1FE
12800U-AE-0	CAISSE CENTRALE CORP BND 144A 2.650% 09/16/15	A.	09/09/2010	J.P. MORGAN SECURITIES INC		4,992,800	5,000,000	0	1FE
06741C-AA-2	BARCLAYS BANK PLC CORP BND 144A 2.500% 09/21/15	F.	09/15/2010	BARR BROTHERS & CO. INC.		5,992,960	6,000,000	0	1FE
20428A-AA-7	CIE FIN FONC CORP BND 144A 1.625% 07/23/12	F.	07/13/2010	DEUTSCHE BANK AG		5,988,960	6,000,000	0	1FE
<b>3899999. Bonds - Industrial and Miscellaneous (Unaffiliated)</b>						26,960,740	27,000,000	0	XXX
<b>8399997. Total - Bonds - Part 3</b>						52,945,990	49,775,000	113,154	XXX
<b>8399998. Total - Bonds - Part 5</b>						XXX	XXX	XXX	XXX
<b>8399999. Total - Bonds</b>						52,945,990	49,775,000	113,154	XXX
<b>8999997. Total - Preferred Stocks - Part 3</b>						0	XXX	0	XXX
<b>8999998. Total - Preferred Stocks - Part 5</b>						XXX	XXX	XXX	XXX
<b>8999999. Total - Preferred Stocks</b>						0	XXX	0	XXX
039386-10-9	ARCH INSURANCE GROUP INC.		09/30/2010	DIRECT	0.000	4,610,896			
03941*-10-6	ARCH RE FACULTATIVE UNDERWRITERS		09/30/2010	DIRECT	0.000	174,919			
<b>9199999. Common Stocks - Parent, Subsidiaries and Affiliates</b>						4,785,815	XXX	0	XXX
<b>9799997. Total - Common Stocks - Part 3</b>						4,785,815	XXX	0	XXX
<b>9799998. Total - Common Stocks - Part 5</b>						XXX	XXX	XXX	XXX
<b>9799999. Total - Common Stocks</b>						4,785,815	XXX	0	XXX
<b>9899999. Total - Preferred and Common Stocks</b>						4,785,815	XXX	0	XXX
<b>9999999 - Totals</b>						57,731,805	XXX	113,154	XXX

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

STATEMENT AS OF SEPTEMBER 30, 2010 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	For-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)	
912828-MM-9	UNITED STATES TREASURY GOVT BND 0.750%		09/24/2010	CITICORP SECURITIES MARKETS		11,054,768	11,000,000	10,973,359	10,973,661	0	10,177	0	10,177	0	10,983,838	0	70,930	70,930	68,463	11/30/2011	1	
912828-MX-5	UNITED STATES TREASURY GOVT BND 1.750%		08/24/2010	BARR BROTHERS & CO. INC.		14,136,071	13,800,000	13,865,812	0	0	(4,948)	0	(4,948)	0	13,860,864	0	275,207	275,207	64,865	04/15/2013	1	
912828-NG-1	UNITED STATES TREASURY GOVT BND 2.750%		09/29/2010	J.P. MORGAN SECURITIES INC		1,588,178	1,500,000	1,500,709	0	0	0	0	0	0	1,500,709	0	87,468	87,468	14,201	05/31/2017	1	
912828-NK-2	UNITED STATES TREASURY GOVT BND 2.500%		09/10/2010	BANC OF AMERICA SECURITIES LLC		3,056,472	3,000,000	3,014,543	0	0	(234)	0	(234)	0	3,014,309	0	42,163	42,163	15,285	06/30/2017	1	
0399999	<b>Bonds - U.S. Governments</b>					29,835,489	29,300,000	29,354,423	10,973,661	0	4,995	0	4,995	0	29,359,720	0	475,768	475,768	162,814	XXX	XXX	
779239-G6-3	ROUND ROCK TEX INDPNT SCH DIST MUNI BND GO 0.000% 08/15/10		08/15/2010	Maturity		3,300,000	3,300,000	2,871,396	3,224,584	0	75,416	0	75,416	0	3,300,000	0	0	0	0	08/15/2010	1FE	
2499999	<b>Bonds - U.S. Political Subdivisions of States, Territories and Possessions</b>					3,300,000	3,300,000	2,871,396	3,224,584	0	75,416	0	75,416	0	3,300,000	0	0	0	0	XXX	XXX	
31416B-ND-7	FNMA POOL # 995056 3.213% 06/01/36		09/01/2010	Paydown		383,817	383,817	382,972	382,972	0	845	0	845	0	383,817	0	0	0	8,889	06/01/2036	1	
38373M-SX-9	GNMA CMBS 06-5 A 4.241% 07/16/29		09/01/2010	Paydown		314,952	314,952	307,127	309,647	0	5,305	0	5,305	0	314,952	0	0	0	9,131	07/16/2029	1	
517704-BP-6	LAS VEGAS NEW CONVENTION & VIS MUNI BND REV 5.000% 07/01/17		07/26/2010	No Broker		3,225,630	3,000,000	3,172,860	3,136,232	0	(12,911)	0	(12,911)	0	3,123,322	0	102,308	102,308	161,667	07/01/2017	1FE	
888808-BK-7	TOBACCO SETTLEMENT FING CORP N MUNI BND REV 6.750% 06/01/39		07/15/2010	RAYMOND JAMES		2,926,500	2,500,000	2,919,800	0	0	(33,150)	0	(33,150)	0	2,886,650	0	39,850	39,850	107,344	06/01/2039	1FE	
3199999	<b>Bonds - U.S. Special Revenues</b>					6,850,899	6,198,769	6,782,764	3,828,851	0	(39,911)	0	(39,911)	0	6,708,741	0	142,158	142,158	287,031	XXX	XXX	
03063T-AF-1	AMCAR 07-DF AMCAR 07-DF A4A 5.560% 06/06/14		09/06/2010	Paydown		331,277	331,277	343,130	342,833	0	(11,556)	0	(11,556)	0	331,277	0	0	0	13,183	10/06/2013	2FE	
05947U-HL-5	BANK OF AMERICA CO BACM 02-2 A2 4.772% 07/11/43		09/01/2010	Paydown		139,991	139,991	141,588	141,102	0	(1,110)	0	(1,110)	0	139,991	0	0	0	3,487	07/11/2011	1FE	
207678-AE-3	CTRRB ABS 2001-1 A5 6.210% 12/30/11		09/30/2010	Paydown		338,882	338,882	343,012	341,116	0	(2,235)	0	(2,235)	0	338,882	0	0	0	15,783	12/30/2010	1FE	
233888-AD-8	DCAT ABS 08-A A3A 3.700% 06/08/12		09/08/2010	Paydown		825,352	825,352	811,908	820,793	0	4,560	0	4,560	0	825,352	0	0	0	20,318	06/08/2012	1FE	
33736X-AX-7	FIRST UNION NAT BANK CMBS 00-C2 A2 7.202% 10/15/32		08/01/2010	Paydown		17,706	17,706	19,666	17,827	0	(120)	0	(120)	0	17,706	0	0	0	768	08/01/2010	1FE	
38146F-AA-9	GOLDMAN SACHS GROUP INC/THE-GT CORP BND 3.250% 06/15/12		07/13/2010	BA SECURITIES		5,230,610	5,000,000	5,183,670	5,141,730	0	(30,485)	0	(30,485)	0	5,111,245	0	119,365	119,365	95,243	06/15/2012	1FE	
46625Y-CU-5	JPMCC CMBS 04-LN2 4.475% 07/15/41		09/01/2010	Paydown		4,096	4,096	3,916	3,934	0	162	0	162	0	4,096	0	0	0	137	07/15/2041	1FE	
481238-AD-5	JPMRT ABS 06-A A4 144A 5.140% 12/15/14		09/15/2010	Paydown		383,654	383,654	386,232	384,673	0	(1,019)	0	(1,019)	0	383,654	0	0	0	13,137	12/15/2011	1FE	
52108H-DF-8	LBUBS CMBS 01-C2 A2 6.653% 11/15/27		09/11/2010	Paydown		282,443	282,443	251,374	266,073	0	16,370	0	16,370	0	282,443	0	0	0	13,264	11/15/2027	1FE	
52108H-U3-6	LBUBS CMBS 04-C8 4.201% 12/15/29		09/11/2010	Paydown		57,687	57,687	56,027	57,640	0	47	0	47	0	57,687	0	0	0	1,559	12/15/2029	1FE	
52108H-XK-5	LBUBS SENIOR CMBS 03-C8 4.207% 11/15/27		08/11/2010	Paydown		15,203	15,203	14,694	15,141	0	63	0	63	0	15,203	0	0	0	419	11/15/2027	1FE	
61913P-AA-0	MHL CMO 04-1 0.646% 11/25/34		09/27/2010	Paydown		832	832	832	832	0	0	0	0	0	832	0	0	0	4	11/25/2034	1Z*	
86359B-KB-6	STRUCTURED ASSET SEC CORP WHOLE CMO 04-3AC 2.675% 03/25/34		09/01/2010	Paydown		553	553	568	498	68	(14)	0	54	0	553	0	0	0	9	02/25/2034	1Z*	
92978B-AC-4	WALOT ABS 07-1 A3A 5.290% 04/20/12		09/20/2010	Paydown		730,806	730,806	730,753	730,793	0	13	0	13	0	730,806	0	0	0	25,696	04/20/2012	1FE	
638602-BM-3	NATIONWIDE BUILDING SOCIETY -G CORP BND 144A 2.500% 08/17/12	F	09/14/2010	BANC OF AMERICA SECURITIES LLC		6,164,700	6,000,000	6,107,340	6,106,396	0	(28,248)	0	(28,248)	0	6,078,148	0	86,552	86,552	162,500	08/17/2012	1FE	
876780-AA-5	TAYARRA LTD CORP BND 3.628% 02/15/22	F	08/15/2010	Redemption 100.0000		119,043	119,043	119,043	0	0	0	0	0	119,043	0	0	0	1,943	02/15/2022	1		
8999999	<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>					14,642,835	14,247,525	14,513,753	14,371,381	68	(53,572)	0	(53,504)	0	14,436,918	0	205,917	205,917	367,450	XXX	XXX	
8399997	<b>Total - Bonds - Part 4</b>					54,629,223	53,046,294	53,522,336	32,398,477	68	(13,072)	0	(13,004)	0	53,805,379	0	823,843	823,843	817,295	XXX	XXX	
8399998	<b>Total - Bonds - Part 5</b>					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999	<b>Total - Bonds</b>					54,629,223	53,046,294	53,522,336	32,398,477	68	(13,072)	0	(13,004)	0	53,805,379	0	823,843	823,843	817,295	XXX	XXX	
8999997	<b>Total - Preferred Stocks - Part 4</b>					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
8999998	<b>Total - Preferred Stocks - Part 5</b>					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8999999	<b>Total - Preferred Stocks</b>					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799997	<b>Total - Common Stocks - Part 4</b>					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799998	<b>Total - Common Stocks - Part 5</b>					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9799999	<b>Total - Common Stocks</b>					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999	<b>Total - Preferred and Common Stocks</b>					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999	<b>Totals</b>					54,629,223	XXX	53,522,336	32,398,477	68	(13,072)	0	(13,004)	0	53,805,379	0	823,843	823,843	817,295	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**



**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
<b>NONE</b>							
8699999 - Total Cash Equivalents							

E10