



## 2009 Loss Development Triangles

Published September 1, 2010



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## **2009 Loss Development Triangle Cautionary Language**

This report is for informational purposes only and is current as of December 31, 2009. We are under no obligation, and do not expect, to update or revise this report, whether as a result of new information, future events or otherwise, even when such new data has been reflected in our filings with the U.S. Securities and Exchange Commission (the "SEC") or otherwise. Although the loss payment and loss reporting patterns disclosed in this report are an important factor in the process used to estimate loss reserve requirements, they are not the only factors considered in establishing reserves. The process for establishing reserves is subject to considerable variability and requires the use of informed estimates and judgments. The information disclosed here represents a high-level summary of the data we use for our own reserve evaluations. Important details, such as specific loss development expectations for particular contracts, years or events, cannot be developed solely by analyzing the information provided in this report. In addition to analyzing loss development information, management incorporates additional information into the reserving process, such as pricing and market conditions. Readers must keep these and other qualifications more fully described in this report in mind when reviewing this information. This report should be read in conjunction with periodic reports filed by Arch Capital Group Ltd. ("ACGL") with the SEC, including ACGL's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

## **Cautionary Note Regarding Forward-Looking Statements**

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



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

- our ability to successfully implement our business strategy during “soft” as well as “hard” markets;
- acceptance of our business strategy, security and financial condition by rating agencies and regulators, as well as by brokers and our insureds and reinsureds;
- our ability to maintain or improve our ratings, which may be affected by our ability to raise additional equity or debt financings, by ratings agencies’ existing or new policies and practices, as well as other factors described herein;
- general economic and market conditions (including inflation, interest rates, foreign currency exchange rates and prevailing credit terms) and conditions specific to the reinsurance and insurance markets in which we operate;
- competition, including increased competition, on the basis of pricing, capacity, coverage terms or other factors;
- developments in the world’s financial and capital markets and our access to such markets;
- our ability to successfully integrate, establish and maintain operating procedures (including the implementation of improved computerized systems and programs to replace and support manual systems) to effectively support our underwriting initiatives and to develop accurate actuarial data;
- the loss of key personnel;
- the integration of businesses we have acquired or may acquire into our existing operations;
- accuracy of those estimates and judgments utilized in the preparation of our financial statements, including those related to revenue recognition, insurance and other reserves, reinsurance recoverables, investment valuations, intangible assets, bad debts, income taxes, contingencies and litigation, and any determination to use the deposit method of accounting, which for a relatively new insurance and reinsurance company, like our company, are even more difficult to make than those made in a mature company since relatively limited historical information has been reported to us;
- greater than expected loss ratios on business written by us and adverse development on claim and/or claim expense liabilities related to business written by our insurance and reinsurance subsidiaries;
- severity and/or frequency of losses;
- claims for natural or man-made catastrophic events in our insurance or reinsurance business could cause large losses and substantial volatility in our results of operations;
- acts of terrorism, political unrest and other hostilities or other unforecasted and unpredictable events;
- losses relating to aviation business and business produced by a certain managing underwriting agency for which we may be liable to the purchaser of our



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- prior reinsurance business or to others in connection with the May 5, 2000 asset sale described in our periodic reports filed with the SEC;
- availability to us of reinsurance to manage our gross and net exposures and the cost of such reinsurance;
  - the failure of reinsurers, managing general agents, third party administrators or others to meet their obligations to us;
  - the timing of loss payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;
  - our investment performance, including legislative or regulatory developments that may adversely affect the market value of our investments;
  - material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements;
  - changes in accounting principles or policies or in our application of such accounting principles or policies;
  - changes in the political environment of certain countries in which we operate or underwrite business;
  - statutory or regulatory developments, including as to tax policy and matters and insurance and other regulatory matters such as the adoption of proposed legislation that would affect Bermuda-headquartered companies and/or Bermuda-based insurers or reinsurers and/or changes in regulations or tax laws applicable to us, our subsidiaries, brokers or customers; and
  - the other matters set forth under Item 1A "Risk Factors," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of the Annual Report on Form 10-K, as well as the other factors set forth in ACGL's other documents on file with the SEC, and management's response to any of the aforementioned factors.

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

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### I. INTRODUCTION

This report provides additional information on the loss development characteristics of Arch Capital Group Ltd. (“ACGL” and, together with its subsidiaries, “Arch,” the “Company,” “we,” or “us”) as of December 31, 2009. This report provides greater detail on Arch’s reserves by showing global loss triangles for paid and reported loss and allocated loss adjustment expenses (“ALAE”) at annual evaluation dates. The most recent evaluation is as of December 31, 2009. For insurance lines, the loss triangles are presented net of reinsurance on an accident year basis. For reinsurance lines, the loss triangles are net of retrocessions and are presented on an underwriting year basis.

In addition, summary exhibits are provided which further highlight the gross, ceded and net results by business segment and triangle classes as of December 31, 2009. These summaries include: written premiums; earned premiums; paid loss and ALAE; reported loss and ALAE; incurred but not reported loss and ALAE (“IBNR”); unallocated loss adjustment expenses reserve (“ULAE”); and the ultimate loss and LAE ratios as of December 31, 2009 on an inception-to-date (“ITD”) basis from January 1, 2002 through December 31, 2009.

Section II provides a discussion of the means used to compile the data, as well as definitions for many of the terms used in this report. A more detailed description of the business underlying the triangle information is found in Section III. Section IV contains a summary description of management’s loss reserving methodology. Section V provides a reconciliation of the data presented in this report to our December 31, 2009 financial statements.

The inherent uncertainty associated with the estimation of loss and LAE reserves remains a significant balance sheet risk for all property and casualty specialty insurance and reinsurance companies, including Arch. Management believes the triangles and corresponding summary exhibits along with the narrative in this report provide additional insight into the loss development characteristics of Arch’s diversified businesses.

The process of establishing and periodically adjusting loss and LAE reserves is a complex process containing numerous management judgments related to the segmentation of data, methodologies utilized and their associated parameters, along with the weights applied to the various techniques used in the reserving process. Actuarial determinations of unpaid future losses and LAE are subject to potential errors of estimation, which could be significant, due to the fact that the ultimate disposition of claims incurred prior to the date of such estimation, whether reported to Arch or not, is subject to the outcome of events that have not yet occurred. Likewise, any estimate of future costs associated with claims settlement is subject to the inherent limitation on the ability to predict the course of future events. Consequently, it should be expected that the actual emergence of the ultimate loss and LAE will vary, perhaps considerably, from any prior estimate. Readers should also review additional reserve disclosures and company risk factors that are provided in the Company’s most recent Annual Report on Form 10-K and other periodic reports filed with the SEC.



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Readers of this report are strongly advised against projecting ultimate losses and LAE for Arch directly from the loss development triangles in this report, as these calculations rarely take into account fully the true underlying nature of the liabilities. The triangle classes contained in this report are the compilation of many discrete reserving groups within Arch that represent different geographies, pricing environments, legislative climates and policy forms.

Depending upon which actuarial reserving method is utilized, the presence or absence of large catastrophe losses and how they are treated may also have a significant impact on the estimated ultimate loss and LAE. In addition, changes to the premium volume, mix of business and the underlying exposures within a class may have significant effects on the resulting ultimate loss estimates and overall reserve levels. Without incorporating this critical information, the results derived from a mechanical extrapolation of the loss development triangles in this report have the potential of being materially misleading.

The triangles and summary exhibits are provided for both the insurance and reinsurance segments of the Company. The losses in the triangles represent the Company's December 31, 2009 net reported losses, and the losses in the ITD exhibits represent the Company's December 31, 2009 gross, ceded and net loss and LAE reserves. These exhibits represent the reserves in their entirety, with the exception of adjustments for changes in foreign currency and excluded business as shown in Section V of this report. Section V contains a reconciliation to select data from the Company's financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

As discussed more fully in Section II, the losses reflected in these exhibits and triangles are adjusted for foreign exchange movements. As a result of these adjustments, which we would expect to continue, future versions of this information will not tie directly to the data included in this report.



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## II. DATA COMPILATION AND DEFINITIONS

Numerous data elements were incorporated to prepare this report. For insurance lines, the loss triangles are presented on an accident year basis. The summary exhibits for insurance display gross, ceded and net losses on an accident year basis. For reinsurance lines, the loss triangles are presented on an underwriting year basis, net of retrocessions. The summary exhibits for reinsurance display gross, ceded and net losses on an underwriting year basis.

### Data Presented

The data presented in the triangles and summary exhibits is as follows:

- **Triangles**
  - Paid loss and ALAE
  - Reported loss and ALAE
- **Summary Exhibits**
  - Gross premium, paid, reported and ultimate loss and LAE
  - Ceded premium, paid, reported and ultimate loss and LAE
  - Net premium, paid, reported and ultimate loss and LAE

### Basis of Presentation

Information presented herein may differ materially from that reported in Arch's financial statements prepared in accordance with GAAP due to a number of factors, including differences in foreign currency exchange rates, exclusion of commuted contracts within the reinsurance group, the impact of premium adjustments and other data adjustments, and other excluded business as shown in Section V.

All amounts are presented in thousands of U.S. dollars ("USD") and reflect the conversion from the original currency of the underlying business if not denominated in USD. The primary foreign currencies in which we operate are the Euro ("EUR") and the British Pound Sterling ("GBP"). Foreign currency denominated losses and premiums are converted based on exchange rates at the dates of the transactions to the currency of the legal underwriting entity. Arch's reporting currency is USD. Fluctuations in currency exchange rates can cause material shifts in loss development. To eliminate distortions caused by such fluctuations, data in the exhibits has been restated using the year-end 2009 rate of exchange of EUR to 1.435 USD and GBP to 1.615 USD.

Some (re)insurance contracts contain provisions resulting in a variation of the premium or acquisition expenses as a result of loss experience under the contract. Within the analysis, estimated reinstatement premiums are included in the premium totals.

Ceded reinsurance transactions with affiliates of the Company have not been reflected in the triangles, other than reinsurance purchased as part of an overall treaty placement. The summary exhibits also include ceded reinsurance (third party) and net schedules.



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### Global Triangles Classes

Triangles and summary exhibits are provided in ten general classes, four for the insurance segment and six for the reinsurance segment. The classes are based on the loss development characteristics for the lines of business represented by the exposures in a given triangle class. The ten triangle classes included in this report are listed below.

#### Insurance Segment Classes

- Property, Energy, Marine and Aviation
- Third Party Occurrence Business
- Third Party Claims-Made Business
- All Other

#### Reinsurance Segment Classes

- Casualty
- Property Catastrophe
- Property Excluding Property Catastrophe
- Marine/Aviation/Space
- Other Specialty
- Other Reinsurance

Further detail of the types of business contained in each triangle class is provided in Section III of this report. Section V includes a mapping of the lines of business within the Company's segments to the associated triangle classes.

### Large Losses and Other Adjustments

The triangles are unadjusted with respect to large losses and catastrophic losses, including losses related to the 2004, 2005 and 2008 hurricanes. Losses from specified significant hurricanes in our Property and All Other segments (for insurance) and Property Catastrophe, Marine/Aviation/Space and Other Property segments (for reinsurance) are shown on pages 39 and 54. The insurance triangles are net of any external reinsurance recoveries. The reinsurance triangles are net of any retrocession recoveries and exclude losses from commuted contracts. The premium data is shown on a gross, ceded and net basis and includes any reinstatement premiums associated with the loss events and excludes premiums for commuted contracts within the reinsurance group.



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### Mix of Business

ACGL was formed in September 2000 and launched its underwriting initiative in October 2001. Arch commenced the substantial portion of its writings in 2002. Since that time, significant shifts in mix of business have occurred as types of business have been added or dropped, or have grown or shrunk. Typical actuarial methodologies assume homogeneity of business within the triangles and, as a result, simple actuarial projections derived from these triangles may lead to materially misleading conclusions.

### Business Not Included

For the Company as a whole, the exhibits contain approximately 92.0% of the loss and ALAE reserves carried by the Company as of December 31, 2009.

The following data is not included within the loss development triangles and ITD exhibits: Surety insurance data, Bermuda insurance data, certain insurance business written in the United Kingdom, certain Denmark reinsurance data, and miscellaneous other adjustments. No other business has been excluded from the analysis.

For reinsurance, approximately 12% of net earned premiums is excluded due to commutations, but it is not evenly spread across segments. For Other Reinsurance, the commuted percentage is 46%; for Other Specialty, the commuted percentage is 41%; and for Property Catastrophe, the commuted percentage is 22%. The other reinsurance segments have a minimal amount of commuted business.

### Discounting

The losses in the triangles do not include a provision to reflect the time value of money.

### Definitions

Several key definitions are highlighted below:

**Accident Year** means the year in which the event occurred that triggered a claim to Arch. All years referred to are years ended December 31st.

**Additional Case Reserves** are amounts that are held in addition to Case Reserves that result from Arch's claims professionals determining that the established Case Reserves (which are often established by cedents or third parties) are expected to be insufficient to meet the expected future settlement amounts.

**ALAE** means allocated loss adjustment expense, which is an estimate of the associated external expenses to be incurred in settling a claim. ALAE includes the costs of third party loss assessors or legal experts.



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**Case Reserves** are amounts set aside for Loss and ALAE in relation to claims that have been made but not yet been paid and represent an assessment of the remaining amount to be paid in respect of each notified claim.

**Ceded Claims** are those amounts Arch received or expects to receive from third party reinsurers to whom Arch has ceded premiums.

**Ceded Premiums** are those premiums paid by Arch to third party reinsurers or retrocessionaires.

**Claims-Made** coverage is a form of insurance contract under which only claims reported to the insurer during the contract period are covered.

**Diagonals** in the triangle from bottom left to top right represent evaluation dates. For example, the last diagonal in our published triangles shows the position of each Accident Year or Underwriting Year as at December 31, 2009.

**Earned Premium** is the amount of total premiums written over a period that have been earned based on the ratio of the time passed on the policies to their effective life.

**Gross Premiums and Gross Losses** are shown before the impact of any third party external reinsurance or retrocession that Arch purchases.

**IBNR, or IBNR Loss and ALAE**, means incurred but not reported reserve. It includes a reserve amount held to cover expected future settlements in relation to all claims that have occurred but have not yet been reported to Arch as well as a reserve amount to cover expected development (upward or downward) in existing Case Reserves and Additional Case Reserves. Arch's process for establishing IBNR is discussed further in Section IV of this document.

**LAE** means loss adjustment expense, which is expense incurred in settling a claim. LAE includes the costs of third party loss assessors or legal experts and the cost of internal resources necessary to settle a claim. LAE is the sum of ALAE and ULAE.

**Maturity (Age)** is measured in months from the start of the Accident Year or Underwriting Year.

**Net** means the retained portion of premiums written or losses paid and incurred. Net Premium equals Gross Premium less Ceded Premium and Net Losses equal Gross Losses less Ceded Losses.

**Paid Losses** are claim amounts paid to insureds or to ceding companies.



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**Report Year** refers to the year in which a claim is reported to Arch. All years referred to are years ending December 31st.

**Reported Loss and ALAE** is the sum of Paid Losses and ALAE, plus Case Reserves and any Additional Case Reserves.

**Triangle** is a cross tabulation of data usually showing financial quantities in respect of periods of exposure (*e.g.*, Accident or Underwriting Years), each evaluated at regular intervals (maturities).

**ULAE** stands for unallocated loss adjustment expenses and represents the internal expenses required to settle claims.

**Ultimate Loss and LAE** is the total of all expected settlement amounts, whether paid or reserved, together with any associated settlement expenses and is the estimated total amount of loss at the measurement date. For the purposes of this report, Ultimate Loss and LAE is calculated by adding: Reported Loss and ALAE, IBNR Loss and ALAE, and Ultimate ULAE.

**Ultimate ULAE** is the total of all expected ULAE, whether paid or reserved, and represents the estimated total amount of internal expenses required to settle claims at the measurement date.

**Underwriting Year** is the year in which an insurance policy or reinsurance treaty incepts. All years referred to are years ending December 31st.



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### III. CLASSIFICATION DETAILS

Our insurance group focuses on the areas described below.

#### **Property, Energy, Marine and Aviation**

This category includes:

*Property, Energy, Marine and Aviation.* Our insurance group's property unit provides primary and excess general property insurance coverages, including catastrophe-exposed property coverage, for commercial clients and onshore and offshore property insurance coverages for commercial clients primarily in the energy industry. The property unit also provides contractors all risk and erection all risk, aerospace (consisting of aviation and satellite risks) and stand-alone terrorism insurance coverage for commercial clients. Ocean marine coverage was provided prior to 2007.

Of the data included in this category, on an ITD basis through December 31, 2009, the distribution of business by net earned premium and by financial reporting line is 100% Property, Energy, Marine and Aviation.

On an ITD basis through December 31, 2009, for U.S. and Canadian business, which represents 67% of this category, the distribution by net earned premium and by U.S. annual statement line of business is: 36% Fire, 25% Aircraft, 15% Allied Lines, 12% Ocean Marine, and 12% other lines.

The lines of business in this category are considered "short-tail" business.

#### **Third Party Occurrence Business**

This category includes:

*Casualty.* Our insurance group's casualty unit writes primary and excess casualty insurance coverages, including railroad and middle market energy business.

*Construction.* Our insurance group's construction unit provides primary and excess casualty coverages to middle and large accounts in the construction industry. The construction unit also provides coverage for environmental and design professionals, including policies for architectural and engineering firms and construction projects, pollution legal liability coverage for fixed sites, and alternative markets business, including captive insurance programs.

*National Accounts Casualty.* Our insurance group's national accounts casualty unit provides a wide range of products for middle and large accounts and specializes in loss sensitive primary casualty insurance programs, including large deductible, self-insured retention and retrospectively rated programs.



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*Excess Workers' Compensation.* Our insurance group's excess workers' compensation unit provides excess workers' compensation and employers' liability insurance coverages for qualified self-insured groups, associations and trusts in a wide range of businesses.

Of the data included in this category, on an ITD basis through December 31, 2009, the distribution of business by net earned premium and by financial reporting line is: 50% Casualty, 41% Construction, 6% National Accounts Casualty and 3% Excess Workers' Compensation.

On an ITD basis through December 31, 2009, for U.S. and Canadian business, which represents 100% of this category, the distribution by net earned premium and by U.S. annual statement line of business is: 47% Other Liability – Occurrence, 23% Workers' Compensation, 10% Product Liability – Occurrence, 8% Other Liability – Claims-Made, 7% Commercial Auto – Other Liability, and 5% other lines.

The lines of business in this category are considered “long-tail” business.

### **Third Party Claims-Made Business**

This category includes:

*Executive Assurance.* Our insurance group's executive assurance unit focuses on directors' and officers' liability insurance coverages for corporate, private equity and financial institution clients of all sizes. This unit also writes financial institution and pension trust errors and omissions coverages, employment practices liability insurance, pension trust errors and omissions/fiduciary liability insurance and fidelity bonds.

*Healthcare.* Our insurance group's healthcare unit provides medical professional and general liability insurance coverages for the healthcare industry, including excess professional liability programs for large, integrated hospital systems, outpatient facilities, clinics and long-term care facilities.

*Professional Liability.* Our insurance group's professional liability unit has the following principal areas of focus: (i) large law firms and accounting firms and professional programs; and (ii) miscellaneous professional liability, including coverages for consultants, network security, securities broker-dealers, wholesalers, captive agents and managing general agents.

Of the data included in this category, on an ITD basis through December 31, 2009, the distribution of business by net earned premium and by financial reporting line is: 46% Professional Liability, 35% Executive Assurance and 19% Healthcare.



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On an ITD basis through December 31, 2009, for U.S. and Canadian business, which represents 95% of this category, the distribution by net earned premium and by U.S. annual statement line of business is: 82% Other Liability – Claims-Made and 18% Medical Malpractice – Claims-Made business.

The lines of business in this category are considered “medium-tail” business.

### All Other

This category includes:

*Programs.* Our insurance group’s programs unit targets program managers with unique expertise and niche products offering general liability, commercial automobile, inland marine and non-catastrophe-exposed property business. This unit offers primarily package policies, underwriting workers’ compensation and umbrella liability business in support of desirable package programs.

*Travel and Accident.* Our insurance group’s travel and accident unit provides specialty travel and accident and related insurance products for individual and group travelers, as well as travel agents and suppliers.

*Lenders.* Our insurance group also includes the lenders unit which provides lenders products including collateral protection insurance coverages for financial institutions and specialty insurance coverage for automotive dealers.

Of the data included in this category, on an ITD basis through December 31, 2009, the distribution of business by net earned premium and by financial reporting line is: 77% Programs, 14% Lenders, and 9% Travel and Accident.

On an ITD basis through December 31, 2009, for U.S. and Canadian business, which represents 98% of this category, the distribution by net earned premium and by U.S. annual statement line of business is: 20% Other Liability – Occurrence, 17% Commercial Auto – Other Liability, 15% Inland Marine, 12% Commercial Multi-Peril – Liability, 10% Credit, and 26% other lines.

The lines of business in this category contain a mixture of business considered “short-tail,” “medium-tail,” and “long-tail.” The distribution by net earned premium is 37% short-tail, 22% medium-tail, and 41% long-tail business.



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Our reinsurance group focuses on the areas described below.

### **Casualty**

Our reinsurance group reinsures third party liability exposures from ceding company clients on a quota share and excess of loss basis. The exposures that it reinsures include professional liability (including, among others, directors' and officers' liability, errors and omissions, and medical malpractice) and other liability (including, among others, excess and umbrella liability, motor third party liability, and workers' compensation). On an ITD basis through December 31, 2009, professional liability has comprised slightly less than half of the premium, but has shrunk in recent years so that the professional liability premium for the 2007 – 2009 Underwriting Years comprises slightly less than one-third of the total premium.

The underlying business is written on either a claims-made or occurrence basis. On an ITD basis through December 31, 2009, about 75% of the premium comes from quota shares. However, a significant part of the quota share business is proportional shares of excess business (such as umbrella quota shares), so that only about half the business is made up of first-dollar quota shares. On an ITD basis through December 31, 2009, geographical origin of exposure is approximately 75% U.S.

This is considered "long-tail" business.

Casualty clash business is included in the "Other Reinsurance" segment and workers' compensation catastrophe business is included in the "Other Specialty" segment.

### **Property Catastrophe**

Our reinsurance group reinsures catastrophic perils for our clients on a treaty basis. These treaties provide protection for most catastrophic losses that are covered in the underlying policies written by our reinsureds. The primary perils in our reinsurance group's portfolio include hurricane, earthquake, flood, tornado, hail and fire. Property catastrophe reinsurance provides coverage on an occurrence or aggregate excess of loss basis when losses and LAE from a single or multiple occurrences of a covered peril exceed the retention specified in the contract. This segment also includes retrocession business where the reinsured is a reinsurance company on a quota share or excess of loss basis.

This is considered "short-tail" business.

### **Property Excluding Property Catastrophe**

Property per risk and pro rata reinsurance treaties written by our treaty reinsurance group on a risks attaching and losses occurring basis cover claims from individual insurance policies issued by reinsureds. Treaties include both personal lines and



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commercial lines exposures (principally covering buildings, structures, equipment, contents, and time element). The primary perils in this business include fire, explosion, collapse, riot, vandalism, wind, tornado, flood and earthquake. Through our property facultative reinsurance group, we also write reinsurance on a facultative basis. Our property facultative reinsurance group focuses on commercial property risks on an excess of loss basis.

On an ITD basis through December 31, 2009, less than 20% of the premium has been written on a per-risk basis, with the remainder being on a quota share basis.

This is considered “short-tail” business.

### **Marine/Aviation/Space**

Our reinsurance group writes marine business, which includes coverages for hull, cargo, transit, offshore oil and gas operations, and liability for protection and indemnity. Treaties can be written for individual coverages or on a whole account basis. The mix of business has changed over time where the older years included a large proportion of marine liability business and the more recent years covered largely offshore energy exposure on a quota share basis.

The aviation business includes coverages for airline and general aviation risks. On an ITD basis through December 31, 2009, about 90% is quota share business. Over time, the mix of business has generally shifted away from airline business and more towards general aviation.

Business written may also include space business, which includes coverages for satellite assembly, launch, and operation for commercial space programs.

Through 2006, aviation business made up approximately 50% to 60% of this segment, but in Underwriting Years 2007 – 2009 combined, it has fallen to about a quarter of the premium. Space business has been a very small part of the total.

This is considered “medium-tail” business.

### **Other Specialty**

Our reinsurance group writes other specialty lines, including:

- surety – mostly U.S. business written on an excess-of-loss basis (on an ITD basis through December 31, 2009, about 11% of the overall Other Specialty premium),
- accident and health catastrophe – written on an excess of loss basis (about 8% of the premium on an ITD basis through December 31, 2009, but no premium written since 2004),



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- personal accident and workers' compensation catastrophe – almost all workers' compensation exposure arises from losses that require more than one employee being injured in a workplace accident (about 30% of the premium on an ITD basis through December 31, 2009, but has risen to over 40% in recent years),
- trade credit and political risk – written on a quota share and excess of loss basis (about 22% of the premium on an ITD basis through December 31, 2009),
- terrorism – mostly written on an excess of loss basis (about 14% of the premium on an ITD basis through December 31, 2009),
- crop/hail (about 4% of the premium on an ITD basis through December 31, 2009), and
- the balance of the premium comes from a variety of other disparate lines of business.

This is considered “short-tail” business, except for the workers' compensation catastrophe business, which is considered “long-tail.”

### **Other Reinsurance**

Our reinsurance group also writes casualty clash business and, in limited instances, writes nontraditional business which is intended to provide insurers with risk management solutions that complement traditional reinsurance. Through 2005, the majority of the premium in this segment consisted of nontraditional business, where the principal exposures were property catastrophe. Since 2006, 100% of the premium has been casualty clash business.

This category contains a mixture of “short-tail” and “long-tail” business.

## **IV. OVERVIEW OF RESERVING METHODOLOGY**

Our success is dependent upon our ability to assess accurately the risks associated with the businesses that we insure and reinsure. We establish reserves for losses and LAE which represent estimates involving actuarial and statistical projections, at a given point in time, of our expectations of the ultimate settlement and administration costs of losses incurred. We utilize actuarial models as well as available historical insurance industry loss ratio experience and loss development patterns to assist in the establishment of loss reserves. Actual losses and LAE paid will deviate, perhaps substantially, from the reserve estimates reflected in our financial statements.

If our loss reserves are determined to be inadequate, we will be required to increase loss reserves at the time of such determination with a corresponding reduction in our net income in the period in which the deficiency becomes known. It is possible that claims in respect of events that have occurred could exceed our claim reserves and have a material adverse effect on our results of operations, in a particular period, or our financial condition in general. As a compounding factor, although most insurance contracts have policy limits, the nature of property and casualty insurance and reinsurance is such that



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losses can exceed policy limits for a variety of reasons and could significantly exceed the premiums received on the underlying policies, thereby further adversely affecting our financial condition.

As of December 31, 2009, our reserves for unpaid losses and LAE, net of unpaid losses and LAE recoverable, were approximately \$6.21 billion. Such reserves were established in accordance with applicable insurance laws and GAAP. Loss reserves are inherently subject to uncertainty. In establishing the reserves for losses and LAE, we have made various assumptions relating to the pricing of our reinsurance contracts and insurance policies and have also considered available historical industry experience and current industry conditions. Any estimates and assumptions made as part of the reserving process could prove to be inaccurate due to several factors, including the fact that relatively limited historical information has been reported to us through December 31, 2009.

Reserve estimates are derived after extensive consultation with individual underwriters, actuarial analysis of the loss reserve development and comparison with industry benchmarks. Our reserves are established and reviewed by experienced internal actuaries. Generally, reserves are established without regard to whether we may subsequently contest the claim. We do not currently discount our loss reserves except for a portion of excess workers' compensation and employers' liability loss reserves where the inherent discount in the case reserves and IBNR is reflected in the carried IBNR.

Loss reserves represent estimates of what the insurer or reinsurer ultimately expects to pay on claims at a given time, based on facts and circumstances then known, and it is probable that the ultimate liability may exceed or be less than such estimates. Even actuarially sound methods can lead to subsequent adjustments to reserves that are both significant and irregular due to the nature of the risks written. Loss reserves are inherently subject to uncertainty. In establishing the reserves for losses and LAE, we have made various assumptions relating to the pricing of our reinsurance contracts and insurance policies and have also considered available historical industry experience and current industry conditions. The timing and amounts of actual claim payments related to recorded reserves vary based on many factors including large individual losses, changes in the legal environment, as well as general market conditions. The ultimate amount of the claim payments could differ materially from our estimated amounts. Time lags in the reporting of losses can also introduce further ambiguity to the process of estimating loss and loss expense reserves.

The inherent uncertainty of estimating Arch's loss and loss expense reserves for its reinsurance business segment increases principally due to:

- the lag in time between the time claims are reported to the ceding company and the time they are reported through one or more reinsurance broker intermediaries to Arch;
- the differing reserving practices among ceding companies;



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- the diversity of loss development patterns among different types of reinsurance contracts; and
- Arch's need to rely on its ceding companies for loss information.

In addition to the factors creating uncertainty in Arch's estimate of loss and loss expense reserves, Arch's estimated reserve for losses and loss expenses can change over time because of unexpected changes in the external environment. Potential changing external factors include:

- changes in the inflation rate for goods and services related to the covered damages;
- changes in the general economic environment that could cause unanticipated changes in claim frequency or severity;
- changes in the litigation environment regarding the representation of plaintiffs and potential plaintiffs;
- changes in the judicial and/or arbitration environment regarding the interpretation of policy and contract provisions relating to the determination of coverage and/or the amount of damages awarded for certain types of claims;
- changes in the social environment regarding the general attitude of juries in the determination of liability and damages or in claimants' attitudes with respect to settlements;
- changes in the legislative environment regarding the definition of damages;
- new types of injuries caused by new types of injurious activities or exposures; and
- in the case of assumed reinsurance, changes in ceding company case reserving and reporting patterns.

Arch's estimates of reserves for losses and loss expenses can also change over time because of changes in internal company operations. Potential changing internal factors include:

- changes in claims handling procedures;
- growth in new lines of business where exposure and loss development patterns are not well established;
- changes in contract provisions such as deductibles or policy limits; and
- changes in the quality of risk selection or pricing in the underwriting process.

Due to the inherent complexity of the assumptions used in establishing Arch's loss and loss expense reserve estimates, final claim settlements made by Arch may vary significantly from the present estimates, particularly when those settlements may not occur until well into the future.

Following is a discussion of the Company's reserving methodology for its insurance and reinsurance segments. Additional explanation of the Company's reserving methodology can be found in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the SEC.



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### *Insurance Segment*

The initial reserving method for our insurance operations to date has been, to a large extent, the expected loss method, which is commonly applied when limited loss experience exists. Our insurance operations employ a number of different reserving methods depending on the line of business, the availability of historical loss experience and the stability of that loss experience. Over time, such techniques have been given more weight in the reserving process due to the continuing maturation of their loss reserves and the increased availability and credibility of the historical experience. Any estimates and assumptions made as part of the reserving process could prove to be inaccurate due to several factors, including the fact that relatively limited historical information has been reported to our insurance operations through December 31, 2009 in some lines of business. See below for a discussion of the key assumptions in our insurance operations' reserving process.

Although loss reserves are initially determined based on underwriting and pricing analysis, our insurance operations apply several generally accepted actuarial methods, as discussed below, on a quarterly basis to evaluate their loss reserves. As noted below, beginning in 2005, our insurance operations began to give a relatively small amount of weight to their own experience following reviews of open claims on lines of business written on a claims-made basis for which they developed a reasonable level of credible data. Each quarter, as part of the reserving process, actuaries at our insurance operations reaffirm that the assumptions used in the reserving process continue to form a sound basis for the projection of liabilities. If actual loss activity differs substantially from expectations based on historical information, an adjustment to loss reserves may be supported. Estimated loss reserves for more mature accident years are now based more on historical loss activity and patterns than on the initial assumptions based on pricing indications. More recent accident years rely more heavily on internal pricing assumptions. Our insurance operations place more or less reliance on a particular actuarial method based on the facts and circumstances at the time the estimates of loss reserves are made. These methods generally fall into one of the following categories or are hybrids of one or more of the following categories:

- *Expected loss methods* – these methods are based on the assumption that ultimate losses vary proportionately with premiums. Expected loss and LAE ratios are typically developed based upon the information derived by underwriters and actuaries during the initial pricing of the business, supplemented by industry data available from organizations, such as statistical bureaus and consulting firms, where appropriate. These ratios consider, among other things, rate increases and changes in terms and conditions that have been observed in the market. Expected loss methods are useful for estimating ultimate losses and LAE in the early years of long-tailed lines of business, when little or no paid or incurred loss information is available, and is commonly applied when limited loss experience exists for a company.



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- *Historical incurred loss development methods* – these methods assume that the ratio of losses in one period to losses in an earlier period will remain constant in the future. These methods use incurred losses (*i.e.*, the sum of cumulative historical loss payments plus outstanding case reserves) over discrete periods of time to estimate future losses. Historical incurred loss development methods may be preferable to historical paid loss development methods because they explicitly take into account open cases and the claims adjusters' evaluations of the cost to settle all known claims. However, historical incurred loss development methods necessarily assume that case reserving practices are consistently applied over time. Therefore, when there have been significant changes in how case reserves are established, using incurred loss data to project ultimate losses may be less reliable than other methods.
- *Historical paid loss development methods* – these methods, like historical incurred loss development methods, assume that the ratio of losses in one period to losses in an earlier period will remain constant. These methods use historical loss payments over discrete periods of time to estimate future losses and necessarily assume that factors that have affected paid losses in the past, such as inflation or the effects of litigation, will remain constant in the future. Because historical paid loss development methods do not use incurred losses to estimate ultimate losses, they may be more reliable than the other methods that use incurred losses in situations where there are significant changes in how incurred losses are established by a company's claims adjusters. However, historical paid loss development methods are more leveraged (meaning that small changes in payments have a larger impact on estimates of ultimate losses) than actuarial methods that use incurred losses because cumulative loss payments take much longer to equal the expected ultimate losses than cumulative incurred amounts. In addition, and for similar reasons, historical paid loss development methods are often slow to react to situations when new or different factors arise than those that have affected paid losses in the past.
- *Adjusted historical paid and incurred loss development methods* – these methods take traditional historical paid and incurred loss development methods and adjust them for the estimated impact of changes from the past in factors such as inflation, the speed of claim payments or the adequacy of case reserves. Adjusted historical paid and incurred loss development methods are often more reliable methods of predicting ultimate losses in periods of significant change, provided the actuaries can develop methods to reasonably quantify the impact of changes. As such, these methods utilize more judgment than historical paid and incurred loss development methods.
- *Bornhuetter-Ferguson ("B-F") paid and incurred loss methods* – these methods utilize actual paid and incurred losses and expected patterns of paid and incurred losses, taking the initial expected ultimate losses into account to determine an estimate of expected ultimate losses. The B-F paid and incurred loss methods



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are useful when there are few reported claims and a relatively less stable pattern of reported losses.

- *Additional analyses* – other methodologies are often used in the reserving process for specific types of claims or events, such as catastrophic or other specific major events. These include vendor catastrophe models, which are typically used in the estimation of loss reserves at the early stage of known catastrophic events before information has been reported to an insurer or reinsurer, and analyses of specific industry events, such as large lawsuits or claims.

In the initial reserving process for Property, Energy, Marine and Aviation business, which are primarily short-tail exposures, our insurance operations rely on a combination of the reserving methods discussed above. For catastrophe-exposed business, our insurance operations' reserving process also includes the usage of catastrophe models for known events and a heavy reliance on analysis of individual catastrophic events and management judgment. The development of property losses can be unstable, especially for policies characterized by high severity, low frequency losses. As time passes, for a given accident year, additional weight is given to the paid and incurred B-F loss development methods and historical paid and incurred loss development methods in the reserving process.

Our insurance operations make a number of key assumptions in their reserving process, including that historical paid and reported development patterns are stable, catastrophe models provide useful information about our exposure to catastrophic events that have occurred and our underwriters' judgment as to potential loss exposures can be relied on. The expected loss ratios used in the initial reserving process for our insurance operations' property business have varied over time due to changes in pricing, reinsurance structure, estimates of catastrophe losses, policy changes (such as attachment points, class and limits) and geographical distribution. As losses in property lines are reported relatively quickly, expected loss ratios are selected for the current accident year based upon actual attritional loss ratios for earlier accident years, adjusted for rate changes, inflation, changes in reinsurance programs and expected attritional losses based on modeling. Due to the short-tail nature of property business, reported loss experience emerges quickly and ultimate losses are known in a reasonably short period of time.

In the initial reserving process for Third Party Occurrence business, primarily consisting of primary and excess exposures written on an occurrence basis, our insurance operations primarily rely on the expected loss method. The development of our insurance operations' Third Party Occurrence business may be unstable due to its long-tail nature and the occurrence of high severity events, as a portion of the business is in high excess layers. As time passes, for a given accident year, additional weight is given to the paid and incurred B-F loss development methods and historical paid and incurred loss development methods in the reserving process.



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Our insurance operations make a number of key assumptions in reserving for Third Party Occurrence business, including that the pricing loss ratio is the best estimate of the ultimate loss ratio at the time the policy is entered into, that our insurance operations' loss development patterns, which are based on industry loss development patterns and adjusted to reflect differences in our insurance operations' mix of business, are reasonable and that our insurance operations' claims personnel and underwriters analyses of our exposure to major events are assumed to be our best estimate of our exposure to the known claims on those events. As noted earlier, due to the long claims reporting and settlement period for this business, additional facts regarding coverages written in prior accident years, as well as about actual claims and trends may become known and, as a result, our insurance operations may be required to adjust their casualty reserves. The expected loss ratios used in the initial reserving process for this business for recent accident years have varied, in some cases significantly, from earlier accident years. As the credibility of historical experience for earlier accident years increases, the experience from these accident years will be given a greater weighting in the actuarial analysis to determine future accident year expected loss ratios, adjusted for changes in pricing, loss trends, terms and conditions and reinsurance structure.

In the initial reserving process for Third Party Claims-Made business, primarily consisting of medium-tail exposures written on a claims-made basis, our insurance operations primarily rely on the expected loss method. As time passes, for a given accident year, additional weight is given to the paid and incurred B-F loss development methods and historical paid and incurred loss development methods in the reserving process. Beginning in 2005, our insurance operations began to give a relatively small amount of weight to their own experience following reviews of open claims, in particular for lines of business written on a claims-made basis for which they developed a reasonable level of credible data. Over the last few years, our insurance operations have increased their reliance on reviews of open claims. In general, the expected loss ratios established for executive assurance, professional liability and healthcare business for recent accident years vary, in some cases materially, from earlier accident years based on analysis of pricing, loss cost trends and changes in policy coverage. Since this business is primarily written on a claims-made basis and is subject to high severity, low frequency losses, a great deal of uncertainty exists in setting these initial reserves. In addition, only a limited number of years of historical experience is available for use in projecting loss experience using standard actuarial methods. As the credibility of historical experience for earlier accident years increases, the experience from these accident years will be given a greater weighting in the actuarial analysis to determine future accident year expected loss ratios, adjusted for the occurrence or lack of large losses, changes in pricing, loss trends, terms and conditions and reinsurance structure.

In addition to the assumptions and development characteristics noted above, our insurance operations authorize managing general agents, general agents and other producers to write program business on their behalf within prescribed underwriting authorities. This adds additional complexity to the reserving process. To monitor adherence to the underwriting guidelines given to such parties, our insurance operations periodically perform claims due diligence reviews. In the initial reserving process for



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program business, consisting of property and liability exposures which are primarily written on an occurrence basis, our insurance operations primarily rely on the expected loss method. As time passes, for a given accident year, additional weight is given to the paid and incurred B-F loss development methods and historical paid and incurred loss development methods in the reserving process. The expected loss ratios used in the initial reserving process for our insurance operations' program business have varied over time depending on the type of exposures written and changes in pricing, loss trends, reinsurance structure and changes in the underlying business.

### *Reinsurance Segment*

Loss reserves for our reinsurance operations comprise (1) Case Reserves for claims reported, (2) Additional Case Reserves and (3) IBNR reserves. Our reinsurance operations receive reports of claims notices from ceding companies and record Case Reserves based upon the amount of reserves recommended by the ceding company. Case Reserves on known events may be supplemented by Additional Case Reserves, which are often estimated by our reinsurance operations' claims personnel ahead of official notification from the ceding company, or when our reinsurance operations' judgment regarding the size or severity of the known event differs from the ceding company. In certain instances, our reinsurance operations establish Additional Case Reserves even when the ceding company does not report any liability on a known event. In addition, specific claim information reported by ceding companies or obtained through claim audits can alert our reinsurance operations to emerging trends such as changing legal interpretations of coverage and liability, claims from unexpected sources or classes of business, and significant changes in the frequency or severity of individual claims. Such information is often used in the process of estimating IBNR reserves.

The estimation of loss reserves for our reinsurance operations is subject to the same risk factors as the estimation of loss reserves for our insurance operations. In addition, the inherent uncertainties of estimating such reserves are even greater for reinsurers, due primarily to the following factors: (1) the claim-tail for reinsurers is generally longer because claims are first reported to the ceding company and then to the reinsurer through one or more intermediaries, (2) the reliance on premium estimates, where reports have not been received from the ceding company, in the reserving process, (3) the potential for writing a number of reinsurance contracts with different ceding companies with the same exposure to a single loss event, (4) the diversity of loss development patterns among different types of reinsurance treaties or facultative contracts, (5) the necessary reliance on the ceding companies for information regarding reported claims and (6) the differing reserving practices among ceding companies.

As with our insurance operations, the process of estimating loss reserves for our reinsurance operations involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. As discussed above, such uncertainty is greater for reinsurers compared to insurers. As a result, our reinsurance operations obtain information from numerous sources to assist in the process. Pricing actuaries



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from our reinsurance operations devote considerable effort to understanding and analyzing a ceding company's operations and loss history during the underwriting of the business, using a combination of ceding company and industry statistics. Such statistics normally include historical premium and loss data by class of business, individual claim information for larger claims, distributions of insurance limits provided, loss reporting and payment patterns, and rate change history. This analysis is used to project expected loss ratios for each treaty during the upcoming contract period.

As mentioned above, there can be a considerable time lag from the time a claim is reported to a ceding company to the time it is reported to the reinsurer. The lag can be several years in some cases and may be attributed to a number of reasons, including the time it takes to investigate a claim, delays associated with the litigation process, the deterioration in a claimant's physical condition many years after an accident occurs, the case reserving approach of the ceding company, etc. In the reserving process, our reinsurance operations assume that such lags are predictable, on average, over time and therefore the lags are contemplated in the loss reporting patterns used in their actuarial methods. This means that our reinsurance operations must rely on estimates for a longer period of time than does an insurance company.

The reserving method for our reinsurance operations to date has been, to a large extent, the expected loss method, which is commonly applied when limited loss experience exists. Over time, other common reserving methodologies have begun to be employed. Any estimates and assumptions made as part of the reserving process could prove to be inaccurate due to several factors, including the fact that relatively limited historical information has been reported to our reinsurance operations through December 31, 2009 in some lines of business. See below for a discussion of the key assumptions in our reinsurance operations' reserving process.

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

In the initial reserving process for medium-tail and long-tail lines, consisting of casualty, other specialty, marine and aviation and other exposures, our reinsurance operations



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

The process of estimating loss reserves for our reinsurance operations involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. The inherent uncertainties of estimating such reserves are even greater for reinsurers than for insurers due to the longer claim-tail for reinsurers, the reliance on premium estimates in the reserving process, the diversity and instability of loss development patterns, the necessary reliance on the ceding companies for information regarding reported claims and the differing reserving practices among ceding companies.

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



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estimates of catastrophe losses, terms and conditions and geographical distribution. As losses in property lines are reported relatively quickly, expected loss ratios are selected for the current underwriting year incorporating the experience for earlier underwriting years, adjusted for rate changes, inflation, changes in reinsurance programs, expectations about present and future market conditions and expected attritional losses based on modeling. Due to the short-tail nature of property business, reported loss experience emerges quickly and ultimate losses are known in a reasonably short period of time.

### V. RECONCILIATIONS

#### i) Reconciliation of Unpaid Losses

The following table reconciles the reserves for loss and loss expenses as of December 31, 2009 as reported in the Arch consolidated financial statements in accordance with U.S. GAAP to the reserves for loss and loss expenses published in the triangles (all amounts in thousands, on a net basis).

#### Reconciliation of Unpaid Losses and LAE

Consolidated Net Unpaid Losses and ALAE	\$ 5,604,276
ULAE Reserves	\$ 114,530
Excluded Business and Other Adjustments:	
Surety Insurance	\$ 81,081
Bermuda Insurance	\$ 173,305
Certain United Kingdom Insurance	\$ 244,976
Certain Denmark Reinsurance	\$ 2,674
Other Adjustments	(\$ 6,930)
Net Reserves for Losses and LAE per December 31, 2009 Consolidated Financial Statements	\$ 6,213,912



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## ii) Reconciliation of Triangle Classes to Reported Lines of Business

The following tables reconcile triangle classes in this report to the lines of business categories which are included in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

### Insurance Segment

Reported Lines of Business	Triangle Classes			
	Property, Energy, Marine and Aviation	Third Party Occurrence Business	Third Party Claims-Made Business	All Other
Property, Energy, Marine and Aviation	X			
Casualty		X		
Construction		X		
National Accounts Casualty		X		
Other - Excess Workers' Compensation		X		
Executive Assurance			X	
Healthcare			X	
Professional Liability			X	
Programs				X
Travel and Accident				X
Other - Lenders				X

### Reinsurance Segment

Reported Lines of Business	Triangle Classes					
	Casualty	Property Catastrophe	Other Property	Marine/Aviation/Space	Other Specialty	Other Reinsurance
Casualty	X					
Property Catastrophe		X				
Other Property			X			
Marine/Aviation/Space				X		
Other Specialty					X	
Other Reinsurance						X

ACGL GLOBAL TRIANGLES  
Development Triangles - Net Basis  
Data as of 12/31/2009 in \$US thousands

INSURANCE - CONSOLIDATED TOTAL

ACCIDENT YEAR TRIANGLE

Age in Months

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Paid</b>	3,928	7,964	28,858	35,963	48,706	59,452	62,124	64,931
<b>Loss &amp; ALAE</b>	55,701	129,682	184,964	237,416	287,721	326,622	349,375	
<b>2004</b>	89,073	229,395	326,702	411,635	471,767	547,258		
<b>2005</b>	79,606	291,804	379,743	476,989	544,786			
<b>2006</b>	93,026	227,662	345,456	450,192				
<b>2007</b>	107,515	274,976	429,541					
<b>2008</b>	125,381	308,653						
<b>2009</b>	113,545							

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Reported</b>	9,300	16,677	42,853	50,151	59,499	68,485	71,162	72,592
<b>Loss &amp; ALAE</b>	113,842	203,371	270,687	320,935	349,323	377,280	401,140	
<b>2004</b>	210,216	358,845	451,224	514,324	560,053	600,791		
<b>2005</b>	211,918	489,472	528,955	595,718	629,180			
<b>2006</b>	236,242	395,837	486,589	557,534				
<b>2007</b>	249,705	475,608	596,922					
<b>2008</b>	358,647	600,899						
<b>2009</b>	279,584							

INSURANCE - CONSOLIDATED TOTAL

**GROSS**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	638,383	331,766	160,178	176,830				
2003	1,491,882	1,152,002	480,736	554,337				
2004	1,818,196	1,732,796	763,747	833,044				
2005	2,015,938	1,983,985	1,268,114	1,430,201				
2006	2,224,887	2,187,290	669,845	816,728				
2007	2,263,287	2,275,472	666,235	895,089				
2008	2,096,057	2,119,379	438,018	957,424				
2009	2,124,277	2,065,155	158,365	416,167				
<b>All Years</b>	<b>14,672,908</b>	<b>13,847,844</b>	<b>4,605,239</b>	<b>6,079,820</b>	<b>2,906,406</b>	<b>260,847</b>	<b>9,247,072</b>	<b>66.8%</b>

**CEDED**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	327,776	224,936	95,247	104,238				
2003	426,072	350,771	131,361	153,196				
2004	570,061	505,882	216,490	232,253				
2005	715,673	738,262	723,328	801,021				
2006	830,172	821,324	219,654	259,194				
2007	794,322	838,065	236,694	298,167				
2008	713,798	754,813	129,365	356,525				
2009	703,772	710,722	44,820	136,583				
<b>All Years</b>	<b>5,081,648</b>	<b>4,944,777</b>	<b>1,796,959</b>	<b>2,341,178</b>	<b>903,470</b>	<b>8,180</b>	<b>3,252,828</b>	<b>65.8%</b>

**NET**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	310,607	106,830	64,931	72,592				
2003	1,065,809	801,230	349,375	401,140				
2004	1,248,135	1,226,914	547,258	600,791				
2005	1,300,266	1,245,723	544,786	629,180				
2006	1,394,714	1,365,965	450,192	557,534				
2007	1,468,965	1,437,406	429,541	596,922				
2008	1,382,259	1,364,566	308,653	600,899				
2009	1,420,505	1,354,433	113,545	279,584				
<b>All Years</b>	<b>9,591,260</b>	<b>8,903,067</b>	<b>2,808,280</b>	<b>3,738,642</b>	<b>2,002,935</b>	<b>252,667</b>	<b>5,994,244</b>	<b>67.3%</b>

ACCIDENT YEAR TRIANGLE

Age in Months

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Paid</b>								
<b>Loss &amp; ALAE</b>								
<b>2002</b>	9	742	1,099	1,100	1,098	1,098	1,098	1,101
<b>2003</b>	2,930	6,154	10,027	11,640	12,457	13,173	13,361	
<b>2004</b>	13,493	64,872	98,374	106,130	109,716	111,265		
<b>2005</b>	18,609	148,651	168,401	195,798	213,895			
<b>2006</b>	22,279	74,673	103,880	125,338				
<b>2007</b>	42,203	100,817	151,091					
<b>2008</b>	44,458	115,971						
<b>2009</b>	34,822							

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Reported</b>								
<b>Loss &amp; ALAE</b>								
<b>2002</b>	1,181	1,155	1,116	1,100	1,098	1,098	1,098	1,101
<b>2003</b>	6,974	11,606	14,403	14,497	14,495	14,147	14,261	
<b>2004</b>	70,056	100,947	116,015	115,793	114,731	115,494		
<b>2005</b>	87,719	266,367	222,992	224,845	223,010			
<b>2006</b>	103,090	149,083	148,792	153,031				
<b>2007</b>	115,942	184,308	193,324					
<b>2008</b>	194,647	250,196						
<b>2009</b>	114,854							

INSURANCE - PROPERTY, ENERGY, MARINE AND AVIATION

**GROSS**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	49,732	14,929	4,020	4,188				
2003	176,653	123,824	22,332	23,232				
2004	314,872	264,612	206,250	217,450				
2005	442,699	421,868	776,254	828,015				
2006	698,164	629,554	205,184	251,663				
2007	728,205	730,782	288,351	355,367				
2008	683,825	681,553	196,970	499,296				
2009	697,661	671,954	64,950	215,617				
<b>All Years</b>	<b>3,791,810</b>	<b>3,539,075</b>	<b>1,764,311</b>	<b>2,394,826</b>	<b>350,254</b>	<b>23,806</b>	<b>2,768,887</b>	<b>78.2%</b>

**CEDED**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	16,474	5,167	2,919	3,087				
2003	73,132	55,605	8,971	8,971				
2004	158,389	122,999	94,985	101,956				
2005	231,336	236,650	562,360	605,004				
2006	406,569	377,673	79,847	98,632				
2007	422,288	446,227	137,260	162,043				
2008	383,189	403,405	80,999	249,100				
2009	367,942	373,977	30,128	100,763				
<b>All Years</b>	<b>2,059,319</b>	<b>2,021,702</b>	<b>997,469</b>	<b>1,329,556</b>	<b>172,902</b>	<b>1,580</b>	<b>1,504,038</b>	<b>74.4%</b>

**NET**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	33,258	9,762	1,101	1,101				
2003	103,520	68,218	13,361	14,261				
2004	156,484	141,613	111,265	115,494				
2005	211,363	185,218	213,895	223,010				
2006	291,595	251,881	125,338	153,031				
2007	305,918	284,554	151,091	193,324				
2008	300,636	278,149	115,971	250,196				
2009	329,719	297,977	34,822	114,854				
<b>All Years</b>	<b>1,732,492</b>	<b>1,517,373</b>	<b>766,843</b>	<b>1,065,270</b>	<b>177,352</b>	<b>22,226</b>	<b>1,264,849</b>	<b>83.4%</b>

ACGL GLOBAL TRIANGLES  
 Development Triangles - Net Basis  
 Data as of 12/31/2009 in \$US thousands

INSURANCE - THIRD PARTY OCCURRENCE BUSINESS

ACCIDENT YEAR TRIANGLE

Age in Months

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Paid</b>	502	1,941	5,371	8,171	16,869	22,747	25,285	26,337
<b>Loss &amp; ALAE</b>	4,078	18,490	35,464	60,469	85,223	105,274	121,192	
<b>2004</b>	4,582	18,426	36,474	68,808	102,454	159,641		
<b>2005</b>	5,791	20,287	43,271	76,130	112,889			
<b>2006</b>	7,746	25,055	46,581	77,288				
<b>2007</b>	6,287	29,901	62,365					
<b>2008</b>	6,849	22,462						
<b>2009</b>	6,101							

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Reported</b>	1,167	5,377	10,145	16,817	23,801	27,489	31,331	30,715
<b>Loss &amp; ALAE</b>	13,369	33,969	69,915	96,286	114,318	129,862	145,136	
<b>2004</b>	11,392	42,002	76,902	117,726	153,553	187,200		
<b>2005</b>	20,546	51,662	87,578	128,206	160,254			
<b>2006</b>	22,147	54,874	86,696	118,412				
<b>2007</b>	23,313	74,085	118,210					
<b>2008</b>	34,009	69,636						
<b>2009</b>	21,972							

INSURANCE - THIRD PARTY OCCURRENCE BUSINESS

**GROSS**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	168,337	51,407	40,355	48,486				
2003	504,153	363,565	185,449	212,427				
2004	621,707	576,499	231,104	262,375				
2005	624,630	633,450	175,737	247,189				
2006	580,696	610,052	128,762	179,334				
2007	595,656	593,738	121,476	188,517				
2008	532,310	574,507	61,282	133,074				
2009	526,813	547,963	19,312	50,677				
<b>All Years</b>	<b>4,154,301</b>	<b>3,951,181</b>	<b>963,477</b>	<b>1,322,080</b>	<b>1,269,911</b>	<b>87,509</b>	<b>2,679,500</b>	<b>67.8%</b>

**CEDED**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	70,344	23,887	14,017	17,771				
2003	159,073	134,486	64,257	67,291				
2004	202,083	184,873	71,462	75,175				
2005	199,798	202,083	62,847	86,936				
2006	185,631	193,969	51,474	60,922				
2007	171,442	180,292	59,111	70,306				
2008	156,678	166,034	38,821	63,438				
2009	151,797	155,459	13,211	28,705				
<b>All Years</b>	<b>1,296,846</b>	<b>1,241,082</b>	<b>375,201</b>	<b>470,544</b>	<b>355,661</b>	<b>1,000</b>	<b>827,205</b>	<b>66.7%</b>

**NET**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	97,993	27,520	26,337	30,715				
2003	345,081	229,079	121,192	145,136				
2004	419,624	391,627	159,641	187,200				
2005	424,832	431,367	112,889	160,254				
2006	395,064	416,082	77,288	118,412				
2007	424,213	413,446	62,365	118,210				
2008	375,632	408,473	22,462	69,636				
2009	375,016	392,504	6,101	21,972				
<b>All Years</b>	<b>2,857,455</b>	<b>2,710,099</b>	<b>588,276</b>	<b>851,536</b>	<b>914,250</b>	<b>86,509</b>	<b>1,852,295</b>	<b>68.3%</b>

ACGL GLOBAL TRIANGLES  
 Development Triangles - Net Basis  
 Data as of 12/31/2009 in \$US thousands

INSURANCE - THIRD PARTY CLAIMS-MADE BUSINESS

ACCIDENT YEAR TRIANGLE

	Age in Months										
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>			
<b>Paid</b>											
<b>Loss &amp; ALAE</b>											
<b>2002</b>	2	297	618	525	471	478	469	2,002			
<b>2003</b>	1,074	6,761	9,117	11,442	16,172	19,024	22,469				
<b>2004</b>	6,777	23,422	42,521	61,868	70,153	72,965					
<b>2005</b>	640	27,972	52,188	67,299	73,347						
<b>2006</b>	6,229	37,250	84,099	122,292							
<b>2007</b>	7,020	43,080	85,970								
<b>2008</b>	13,283	54,006									
<b>2009</b>	6,956										
<b>Reported</b>											
<b>Loss &amp; ALAE</b>											
<b>2002</b>	59	638	3,563	870	578	2,135	2,362	4,674			
<b>2003</b>	7,651	16,791	19,860	26,686	28,849	32,148	41,219				
<b>2004</b>	28,035	51,606	70,553	82,135	83,082	87,252					
<b>2005</b>	24,421	51,956	76,874	82,363	83,289						
<b>2006</b>	30,596	76,468	116,370	142,934							
<b>2007</b>	30,843	76,410	121,442								
<b>2008</b>	41,099	126,093									
<b>2009</b>	32,676										

INSURANCE - THIRD PARTY CLAIMS-MADE BUSINESS

**GROSS**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	104,112	33,937	2,682	7,929				
2003	350,254	253,703	33,779	66,690				
2004	461,745	441,398	88,915	106,888				
2005	514,645	486,282	101,218	119,033				
2006	548,607	543,506	171,488	200,244				
2007	526,872	529,387	116,595	173,706				
2008	481,353	482,959	60,574	165,162				
2009	489,872	483,069	7,412	37,541				
<b>All Years</b>	<b>3,477,459</b>	<b>3,254,240</b>	<b>582,661</b>	<b>877,192</b>	<b>922,655</b>	<b>81,870</b>	<b>1,881,716</b>	<b>57.8%</b>

**CEDED**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	27,665	10,275	680	3,255				
2003	134,057	87,681	11,309	25,471				
2004	154,096	148,930	15,950	19,636				
2005	167,140	164,785	27,870	35,744				
2006	155,080	156,782	49,196	57,310				
2007	160,769	161,368	30,625	52,263				
2008	156,638	158,446	6,568	39,069				
2009	176,566	172,135	456	4,865				
<b>All Years</b>	<b>1,132,012</b>	<b>1,060,402</b>	<b>142,655</b>	<b>237,613</b>	<b>334,776</b>	<b>2,614</b>	<b>575,003</b>	<b>54.2%</b>

**NET**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	76,446	23,662	2,002	4,674				
2003	216,197	166,022	22,469	41,219				
2004	307,649	292,468	72,965	87,252				
2005	347,504	321,497	73,347	83,289				
2006	393,526	386,723	122,292	142,934				
2007	366,103	368,018	85,970	121,442				
2008	324,715	324,513	54,006	126,093				
2009	313,306	310,934	6,956	32,676				
<b>All Years</b>	<b>2,345,447</b>	<b>2,193,839</b>	<b>440,006</b>	<b>639,579</b>	<b>587,879</b>	<b>79,256</b>	<b>1,306,714</b>	<b>59.6%</b>

ACGL GLOBAL TRIANGLES  
 Development Triangles - Net Basis  
 Data as of 12/31/2009 in \$US thousands

INSURANCE - ALL OTHER

ACCIDENT YEAR TRIANGLE

	Age in Months									
	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>		
<b>Paid</b>										
<b>Loss &amp; ALAE</b>										
<b>2002</b>	3,415	4,985	21,770	26,167	30,267	35,129	35,271	35,492		
<b>2003</b>	47,619	98,277	130,356	153,866	173,869	189,152	192,352			
<b>2004</b>	64,221	122,675	149,333	174,830	189,445	203,386				
<b>2005</b>	54,565	94,893	115,883	137,761	144,655					
<b>2006</b>	56,772	90,684	110,897	125,274						
<b>2007</b>	52,006	101,179	130,115							
<b>2008</b>	60,791	116,215								
<b>2009</b>	65,666									
<b>Reported</b>										
<b>Loss &amp; ALAE</b>										
<b>2002</b>	6,893	9,507	28,030	31,364	34,021	37,764	36,371	36,102		
<b>2003</b>	85,848	141,004	166,510	183,466	191,661	201,123	200,524			
<b>2004</b>	100,733	164,291	187,754	198,670	208,687	210,845				
<b>2005</b>	79,231	119,488	141,511	160,304	162,628					
<b>2006</b>	80,409	115,413	134,731	143,157						
<b>2007</b>	79,608	140,805	163,946							
<b>2008</b>	88,892	154,974								
<b>2009</b>	110,082									

INSURANCE - ALL OTHER

**GROSS**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	316,203	231,493	113,122	116,227				
2003	460,822	410,910	239,176	251,988				
2004	419,872	450,287	237,479	246,330				
2005	433,965	442,385	214,906	235,965				
2006	397,421	404,179	164,411	185,487				
2007	412,554	421,565	139,814	177,500				
2008	398,570	380,359	119,192	159,893				
2009	409,931	362,170	66,691	112,333				
<b>All Years</b>	<b>3,249,337</b>	<b>3,103,348</b>	<b>1,294,790</b>	<b>1,485,722</b>	<b>363,586</b>	<b>67,662</b>	<b>1,916,970</b>	<b>61.8%</b>

**CEDED**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	213,292	185,607	77,630	80,125				
2003	59,810	73,000	46,824	51,464				
2004	55,494	49,081	34,092	35,485				
2005	117,399	134,744	70,251	73,337				
2006	82,892	92,900	39,137	42,330				
2007	39,823	50,178	9,698	13,555				
2008	17,293	26,928	2,977	4,918				
2009	7,467	9,152	1,025	2,251				
<b>All Years</b>	<b>593,471</b>	<b>621,591</b>	<b>281,634</b>	<b>303,465</b>	<b>40,132</b>	<b>2,986</b>	<b>346,583</b>	<b>55.8%</b>

**NET**

<u>Accident Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	102,910	45,886	35,492	36,102				
2003	401,011	337,910	192,352	200,524				
2004	364,378	401,206	203,386	210,845				
2005	316,566	307,641	144,655	162,628				
2006	314,529	311,279	125,274	143,157				
2007	372,731	371,387	130,115	163,946				
2008	381,277	353,431	116,215	154,974				
2009	402,465	353,017	65,666	110,082				
<b>All Years</b>	<b>2,655,866</b>	<b>2,481,757</b>	<b>1,013,156</b>	<b>1,182,258</b>	<b>323,454</b>	<b>64,675</b>	<b>1,570,387</b>	<b>63.3%</b>

ACGL GLOBAL TRIANGLES  
 ITD Large Loss Exhibit  
 Data as of 12/31/2009 in \$US thousands

INSURANCE LARGE LOSS EXHIBIT

Accident Year Basis

	<u>Accident Year</u>	Paid Loss & ALAE			Reported Loss & ALAE		
		<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>
<b>GROSS</b>							
	2005	604,848	3,951	608,799	631,801	3,961	635,762
	2008	61,105	1,506	62,612	194,546	1,605	196,152
	<b>All Acc Years</b>	<b>665,953</b>	<b>5,457</b>	<b>671,410</b>	<b>826,347</b>	<b>5,566</b>	<b>831,913</b>
<b>CEDED</b>							
	2005	493,193	517	493,709	518,478	517	518,994
	2008	29,972	46	30,018	116,765	46	116,811
	<b>All Acc Years</b>	<b>523,165</b>	<b>563</b>	<b>523,728</b>	<b>635,242</b>	<b>563</b>	<b>635,805</b>
<b>NET</b>							
	2005	111,655	3,434	115,089	113,323	3,444	116,767
	2008	31,133	1,460	32,593	77,781	1,559	79,341
	<b>All Acc Years</b>	<b>142,788</b>	<b>4,894</b>	<b>147,683</b>	<b>191,105</b>	<b>5,003</b>	<b>196,108</b>

**Note:**

\* Refers to the Property, Energy, Marine and Aviation Insurance segment  
 Specific Accident Year 2005 events include: Katrina, Rita and Wilma  
 Specific Accident Year 2008 events include: Gustav and Ike

REINSURANCE - CONSOLIDATED TOTAL

UNDERWRITING YEAR TRIANGLE

Age in Months

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Paid</b>	28,227	123,244	197,526	270,229	331,320	372,507	400,207	427,649
<b>Loss &amp; ALAE</b>	43,401	154,200	232,058	293,397	351,386	382,202	404,995	
<b>2004</b>	106,830	254,640	352,123	431,755	501,795	551,074		
<b>2005</b>	91,282	225,914	373,852	463,722	522,827			
<b>2006</b>	30,766	123,243	195,287	266,097				
<b>2007</b>	33,262	105,085	181,648					
<b>2008</b>	92,848	275,581						
<b>2009</b>	24,880							

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Reported</b>	121,325	242,679	335,277	409,347	447,921	472,228	480,511	479,485
<b>Loss &amp; ALAE</b>	110,121	260,110	339,201	410,319	438,400	456,420	467,394	
<b>2004</b>	175,234	450,292	545,209	629,938	676,466	697,998		
<b>2005</b>	236,176	411,262	525,714	589,438	617,545			
<b>2006</b>	78,949	212,238	303,333	364,278				
<b>2007</b>	84,679	188,820	308,232					
<b>2008</b>	207,819	510,011						
<b>2009</b>	83,811							

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	1,172,841	1,172,827	437,984	491,043				
2003	1,466,897	1,466,897	418,062	482,388				
2004	1,525,535	1,525,302	648,021	802,565				
2005	1,535,319	1,534,978	729,694	842,391				
2006	1,488,500	1,488,037	328,654	454,289				
2007	1,405,131	1,402,725	229,592	404,918				
2008	1,133,737	1,071,309	277,764	522,542				
2009	896,957	535,758	24,898	83,907				
<b>All Years</b>	<b>10,624,915</b>	<b>10,197,833</b>	<b>3,094,669</b>	<b>4,084,044</b>	<b>1,842,720</b>	<b>12,809</b>	<b>5,939,573</b>	<b>58.2%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	28,697	28,704	10,335	11,559				
2003	39,276	39,251	13,068	14,994				
2004	70,642	70,641	96,947	104,567				
2005	102,990	102,985	206,867	224,846				
2006	349,576	349,588	62,557	90,010				
2007	321,927	321,895	47,944	96,686				
2008	19,359	19,227	2,183	12,531				
2009	23,160	14,115	18	97				
<b>All Years</b>	<b>955,627</b>	<b>946,406</b>	<b>439,918</b>	<b>555,290</b>	<b>45,745</b>	<b>0</b>	<b>601,035</b>	<b>63.5%</b>

**NET**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	1,144,143	1,144,123	427,649	479,485				
2003	1,427,621	1,427,646	404,995	467,394				
2004	1,454,892	1,454,661	551,074	697,998				
2005	1,432,329	1,431,993	522,827	617,545				
2006	1,138,924	1,138,449	266,097	364,278				
2007	1,083,205	1,080,830	181,648	308,232				
2008	1,114,377	1,052,081	275,581	510,011				
2009	873,797	521,643	24,880	83,811				
<b>All Years</b>	<b>9,669,288</b>	<b>9,251,427</b>	<b>2,654,751</b>	<b>3,528,754</b>	<b>1,796,975</b>	<b>12,809</b>	<b>5,338,539</b>	<b>57.7%</b>

UNDERWRITING YEAR TRIANGLE

Age in Months

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Paid</b>	8,919	28,986	46,252	80,120	121,677	149,829	173,546	195,353
<b>Loss &amp; ALAE</b>	4,464	19,951	35,868	66,579	108,132	133,004	151,919	
<b>2004</b>	3,196	29,447	57,290	99,786	146,459	185,308		
<b>2005</b>	1,653	20,697	46,350	76,363	106,752			
<b>2006</b>	2,031	21,741	42,948	77,244				
<b>2007</b>	146	12,878	35,993					
<b>2008</b>	-445	11,414						
<b>2009</b>	82							

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Reported</b>	26,093	64,748	110,107	159,103	195,141	222,663	233,407	235,771
<b>Loss &amp; ALAE</b>	13,319	50,482	90,645	139,281	168,710	188,848	202,174	
<b>2004</b>	19,794	136,414	159,743	236,039	282,298	308,672		
<b>2005</b>	45,096	46,860	92,934	138,340	163,352			
<b>2006</b>	14,793	51,894	87,809	135,123				
<b>2007</b>	12,158	35,253	104,293					
<b>2008</b>	6,723	61,529						
<b>2009</b>	19,254							

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	463,571	463,557	202,975	243,951				
2003	730,233	730,233	154,890	205,161				
2004	851,547	851,315	192,446	317,446				
2005	709,687	709,346	122,651	192,072				
2006	507,125	506,663	78,251	144,041				
2007	463,593	462,558	35,987	122,490				
2008	328,176	292,853	11,414	66,554				
2009	228,881	123,420	82	19,254				
<b>All Years</b>	<b>4,282,814</b>	<b>4,139,945</b>	<b>798,696</b>	<b>1,310,968</b>	<b>1,402,128</b>	<b>8,346</b>	<b>2,721,442</b>	<b>65.7%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	9,493	9,500	7,622	8,180				
2003	5,936	5,936	2,972	2,987				
2004	6,824	6,824	7,138	8,775				
2005	14,833	14,833	15,898	28,720				
2006	7,182	7,182	1,007	8,918				
2007	6,509	6,509	-6	18,197				
2008	3,323	3,323	0	5,024				
2009	56	42	0	0				
<b>All Years</b>	<b>54,157</b>	<b>54,149</b>	<b>34,631</b>	<b>80,801</b>	<b>1,009</b>	<b>0</b>	<b>81,810</b>	<b>151.1%</b>

**NET**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	454,078	454,057	195,353	235,771				
2003	724,297	724,297	151,919	202,174				
2004	844,723	844,490	185,308	308,672				
2005	694,854	694,513	106,752	163,352				
2006	499,943	499,480	77,244	135,123				
2007	457,084	456,049	35,993	104,293				
2008	324,853	289,530	11,414	61,529				
2009	228,825	123,378	82	19,254				
<b>All Years</b>	<b>4,228,658</b>	<b>4,085,796</b>	<b>764,065</b>	<b>1,230,168</b>	<b>1,401,119</b>	<b>8,346</b>	<b>2,639,632</b>	<b>64.6%</b>

UNDERWRITING YEAR TRIANGLE

Age in Months

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Paid</b>	8,081	19,250	23,452	24,959	26,083	26,338	26,488	26,491
<b>Loss &amp; ALAE</b>	9,205	24,349	26,653	26,996	26,975	27,605	27,749	
<b>2004</b>	26,771	54,008	62,856	63,286	63,162	63,023		
<b>2005</b>	25,284	43,824	88,498	95,938	101,192			
<b>2006</b>	6,591	11,365	13,630	14,438				
<b>2007</b>	11,121	21,579	26,391					
<b>2008</b>	50,234	84,667						
<b>2009</b>	2,766							

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Reported</b>	37,128	35,145	33,206	32,513	29,939	29,042	28,230	27,281
<b>Loss &amp; ALAE</b>	35,275	33,503	29,328	29,320	28,740	27,967	27,987	
<b>2004</b>	51,005	70,784	72,557	67,192	65,523	63,725		
<b>2005</b>	50,591	100,987	118,670	114,867	111,471			
<b>2006</b>	11,259	18,469	17,360	15,488				
<b>2007</b>	26,043	28,508	31,349					
<b>2008</b>	84,483	115,357						
<b>2009</b>	9,013							

REINSURANCE - PROPERTY CATASTROPHE

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	125,909	125,909	26,491	27,281				
2003	112,947	112,947	27,749	27,987				
2004	117,097	117,097	81,225	82,650				
2005	178,146	178,146	148,861	160,145				
2006	276,627	276,627	19,504	21,420				
2007	344,713	344,307	40,079	48,168				
2008	228,627	227,400	84,667	115,357				
2009	234,756	157,501	2,766	9,013				
<b>All Years</b>	<b>1,618,823</b>	<b>1,539,936</b>	<b>431,341</b>	<b>492,020</b>	<b>63,315</b>	<b>369</b>	<b>555,704</b>	<b>36.1%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	575	575	0	0				
2003	3,837	3,837	0	0				
2004	12,561	12,561	18,202	18,925				
2005	24,838	24,838	47,669	48,674				
2006	138,883	138,883	5,066	5,932				
2007	144,933	144,901	13,688	16,819				
2008	0	0	0	0				
2009	2,500	2,500	0	0				
<b>All Years</b>	<b>328,127</b>	<b>328,095</b>	<b>84,625</b>	<b>90,350</b>	<b>5,547</b>	<b>0</b>	<b>95,897</b>	<b>29.2%</b>

**NET**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	125,334	125,334	26,491	27,281				
2003	109,110	109,110	27,749	27,987				
2004	104,537	104,537	63,023	63,725				
2005	153,308	153,308	101,192	111,471				
2006	137,744	137,744	14,438	15,488				
2007	199,780	199,406	26,391	31,349				
2008	228,627	227,400	84,667	115,357				
2009	232,256	155,001	2,766	9,013				
<b>All Years</b>	<b>1,290,696</b>	<b>1,211,841</b>	<b>346,716</b>	<b>401,670</b>	<b>57,768</b>	<b>369</b>	<b>459,807</b>	<b>37.9%</b>

UNDERWRITING YEAR TRIANGLE

Age in Months

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Paid</b>	5,487	36,979	57,914	74,877	82,034	84,471	85,461	87,758
<b>Loss &amp; ALAE</b>	23,692	72,811	100,615	118,838	127,811	131,477	134,000	
<b>2004</b>	74,550	132,377	154,793	174,905	181,484	188,555		
<b>2005</b>	57,905	105,769	145,732	167,087	181,124			
<b>2006</b>	20,771	68,855	97,363	119,238				
<b>2007</b>	20,377	53,846	72,477					
<b>2008</b>	39,982	135,119						
<b>2009</b>	19,973							

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>
<b>Reported</b>	29,402	71,470	92,051	89,876	92,078	91,080	90,154	91,334
<b>Loss &amp; ALAE</b>	44,240	114,282	124,433	140,196	138,592	138,663	138,220	
<b>2004</b>	82,639	153,987	184,328	192,627	193,417	194,531		
<b>2005</b>	72,704	146,873	175,800	189,467	194,331			
<b>2006</b>	45,238	104,663	134,162	141,142				
<b>2007</b>	38,513	80,884	91,480					
<b>2008</b>	80,325	182,144						
<b>2009</b>	51,658							

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	266,009	266,009	90,471	94,713				
2003	319,779	319,779	141,216	145,402				
2004	274,974	274,974	236,532	243,393				
2005	365,912	365,912	279,116	294,324				
2006	444,436	444,436	165,175	202,194				
2007	345,113	345,010	92,441	121,642				
2008	397,466	376,520	135,643	182,885				
2009	281,908	155,487	19,973	51,658				
<b>All Years</b>	<b>2,695,598</b>	<b>2,548,127</b>	<b>1,160,567</b>	<b>1,336,210</b>	<b>178,439</b>	<b>2,443</b>	<b>1,517,093</b>	<b>59.5%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	13,071	13,071	2,713	3,379				
2003	15,316	15,316	7,216	7,182				
2004	26,539	26,539	47,978	48,861				
2005	31,820	31,820	97,992	99,993				
2006	159,204	159,204	45,937	61,052				
2007	112,821	112,821	19,964	30,162				
2008	11,710	11,594	524	741				
2009	10,933	3,945	0	0				
<b>All Years</b>	<b>381,413</b>	<b>374,309</b>	<b>222,325</b>	<b>251,371</b>	<b>23,816</b>	<b>0</b>	<b>275,187</b>	<b>73.5%</b>

**NET**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	252,939	252,939	87,758	91,334				
2003	304,463	304,463	134,000	138,220				
2004	248,435	248,435	188,555	194,531				
2005	334,092	334,092	181,124	194,331				
2006	285,232	285,232	119,238	141,142				
2007	232,292	232,189	72,477	91,480				
2008	385,757	364,926	135,119	182,144				
2009	270,975	151,542	19,973	51,658				
<b>All Years</b>	<b>2,314,185</b>	<b>2,173,818</b>	<b>938,242</b>	<b>1,084,840</b>	<b>154,623</b>	<b>2,443</b>	<b>1,241,906</b>	<b>57.1%</b>

UNDERWRITING YEAR TRIANGLE

Age in Months

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Paid</b>	140	6,248	11,831	15,011	17,209	19,142	20,382	21,065
<b>Loss &amp; ALAE</b>	351	6,946	15,298	21,751	25,959	27,208	28,162	
<b>2002</b>	1,134	19,844	38,489	49,849	55,101	58,780		
<b>2003</b>	2,016	32,206	59,420	84,659	93,326			
<b>2004</b>	814	12,510	27,171	36,050				
<b>2005</b>	789	9,873	33,172					
<b>2006</b>	2,422	29,850						
<b>2007</b>	1,706							
<b>2008</b>								
<b>2009</b>								

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Reported</b>	8,262	17,885	20,682	23,310	24,784	24,594	24,625	24,077
<b>Loss &amp; ALAE</b>	5,808	16,759	28,379	35,081	34,504	33,541	33,061	
<b>2002</b>	11,797	46,679	66,575	69,335	71,853	70,904		
<b>2003</b>	46,583	79,429	96,138	104,111	106,259			
<b>2004</b>	2,931	24,302	47,525	51,357				
<b>2005</b>	5,378	33,480	64,536					
<b>2006</b>	34,253	121,307						
<b>2007</b>	2,621							
<b>2008</b>								
<b>2009</b>								

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	69,917	69,917	21,065	24,077				
2003	103,067	103,067	31,023	37,866				
2004	111,400	111,400	82,405	98,905				
2005	148,435	148,435	138,633	153,718				
2006	143,214	143,214	46,596	65,466				
2007	157,814	157,814	47,469	96,043				
2008	96,612	92,286	31,508	128,073				
2009	69,440	35,433	1,706	2,621				
<b>All Years</b>	<b>899,899</b>	<b>861,567</b>	<b>400,406</b>	<b>606,769</b>	<b>70,888</b>	<b>845</b>	<b>678,501</b>	<b>78.8%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	1,039	1,039	0	0				
2003	8,382	8,358	2,861	4,805				
2004	20,087	20,085	23,625	28,001				
2005	31,468	31,463	45,307	47,459				
2006	44,208	44,221	10,547	14,109				
2007	57,645	57,645	14,297	31,508				
2008	4,320	4,304	1,659	6,766				
2009	5,991	4,700	0	0				
<b>All Years</b>	<b>173,140</b>	<b>171,814</b>	<b>98,295</b>	<b>132,647</b>	<b>13,977</b>	<b>0</b>	<b>146,624</b>	<b>85.3%</b>

**NET**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	68,878	68,878	21,065	24,077				
2003	94,685	94,710	28,162	33,061				
2004	91,313	91,315	58,780	70,904				
2005	116,966	116,972	93,326	106,259				
2006	99,006	98,994	36,050	51,357				
2007	100,170	100,170	33,172	64,536				
2008	92,292	87,982	29,850	121,307				
2009	63,450	30,733	1,706	2,621				
<b>All Years</b>	<b>726,760</b>	<b>689,753</b>	<b>302,111</b>	<b>474,122</b>	<b>56,910</b>	<b>845</b>	<b>531,877</b>	<b>77.1%</b>

UNDERWRITING YEAR TRIANGLE

Age in Months

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Paid</b>	5,462	28,607	49,851	58,680	62,872	63,290	63,749	65,997
<b>Loss &amp; ALAE</b>	5,689	30,143	50,621	55,327	55,125	55,368	55,604	
<b>2004</b>	1,180	18,964	38,686	40,345	41,488	40,917		
<b>2005</b>	4,424	21,937	30,749	33,448	34,319			
<b>2006</b>	559	8,773	13,775	18,726				
<b>2007</b>	830	6,909	13,616					
<b>2008</b>	655	14,532						
<b>2009</b>	354							

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Reported</b>	14,965	45,344	63,534	69,588	66,682	66,970	66,878	67,791
<b>Loss &amp; ALAE</b>	11,160	44,004	61,206	59,993	58,188	57,429	57,325	
<b>2004</b>	10,000	37,428	48,891	51,069	48,675	45,300		
<b>2005</b>	15,170	33,631	35,503	36,426	36,018			
<b>2006</b>	4,727	12,910	16,003	20,767				
<b>2007</b>	2,587	10,695	16,575					
<b>2008</b>	2,034	29,669						
<b>2009</b>	1,265							

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	180,156	180,156	65,997	67,791				
2003	171,831	171,831	55,623	57,344				
2004	145,259	145,259	40,922	45,305				
2005	111,058	111,058	34,319	36,018				
2006	112,000	112,000	18,726	20,767				
2007	88,716	87,853	13,616	16,575				
2008	78,535	77,929	14,532	29,669				
2009	77,603	60,327	371	1,361				
<b>All Years</b>	<b>965,158</b>	<b>946,413</b>	<b>244,107</b>	<b>274,831</b>	<b>88,191</b>	<b>455</b>	<b>363,477</b>	<b>38.4%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	1,843	1,843	0	0				
2003	5,377	5,377	19	20				
2004	4,632	4,632	5	5				
2005	31	31	0	0				
2006	97	97	0	0				
2007	19	19	0	0				
2008	7	7	0	0				
2009	3,680	2,928	18	97				
<b>All Years</b>	<b>15,686</b>	<b>14,934</b>	<b>42</b>	<b>122</b>	<b>1,395</b>	<b>0</b>	<b>1,517</b>	<b>10.2%</b>

**NET**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	178,313	178,313	65,997	67,791				
2003	166,454	166,454	55,604	57,325				
2004	140,627	140,627	40,917	45,300				
2005	111,027	111,027	34,319	36,018				
2006	111,902	111,902	18,726	20,767				
2007	88,697	87,834	13,616	16,575				
2008	78,528	77,922	14,532	29,669				
2009	73,923	57,399	354	1,265				
<b>All Years</b>	<b>949,472</b>	<b>931,479</b>	<b>244,065</b>	<b>274,710</b>	<b>86,795</b>	<b>455</b>	<b>361,960</b>	<b>38.9%</b>

UNDERWRITING YEAR TRIANGLE

Age in Months

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Paid</b>	138	3,175	8,226	16,583	21,446	29,437	30,580	30,984
<b>Loss &amp; ALAE</b>	0	0	3,003	3,906	7,385	7,539	7,561	
<b>2004</b>	0	0	8	3,584	14,100	14,491		
<b>2005</b>	0	1,481	3,103	6,227	6,114			
<b>2006</b>	0	0	399	401				
<b>2007</b>	0	0	0					
<b>2008</b>	0	0						
<b>2009</b>	0							

	<b>12</b>	<b>24</b>	<b>36</b>	<b>48</b>	<b>60</b>	<b>72</b>	<b>84</b>	<b>96</b>
<b>Reported</b>	5,476	8,086	15,696	34,956	39,298	37,878	37,217	33,231
<b>Loss &amp; ALAE</b>	320	1,081	5,210	6,449	9,665	9,972	8,628	
<b>2004</b>	0	5,000	13,116	13,675	14,699	14,865		
<b>2005</b>	6,033	3,482	6,670	6,227	6,114			
<b>2006</b>	0	0	474	401				
<b>2007</b>	0	0	0					
<b>2008</b>	0	5						
<b>2009</b>	0							

REINSURANCE - OTHER REINSURANCE

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	67,278	67,278	30,984	33,231				
2003	29,040	29,040	7,561	8,628				
2004	25,257	25,257	14,491	14,865				
2005	22,082	22,082	6,114	6,114				
2006	5,096	5,096	401	401				
2007	5,182	5,182	0	0				
2008	4,320	4,320	0	5				
2009	4,367	3,589	0	0				
<b>All Years</b>	<b>162,623</b>	<b>161,845</b>	<b>59,551</b>	<b>63,245</b>	<b>39,760</b>	<b>352</b>	<b>103,357</b>	<b>63.9%</b>

**GROSS**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	2,677	2,677	0	0				
2003	428	428	0	0				
2004	0	0	0	0				
2005	0	0	0	0				
2006	0	0	0	0				
2007	0	0	0	0				
2008	0	0	0	0				
2009	0	0	0	0				
<b>All Years</b>	<b>3,105</b>	<b>3,105</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>

**CEDED**

<u>Underwriting Year</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Paid Loss &amp; ALAE</u>	<u>Reported Loss &amp; ALAE</u>	<u>IBNR Loss &amp; ALAE</u>	<u>Ultimate ULAE</u>	<u>Ultimate Loss &amp; LAE</u>	<u>Ultimate Loss &amp; LAE %</u>
2002	64,602	64,602	30,984	33,231				
2003	28,611	28,611	7,561	8,628				
2004	25,257	25,257	14,491	14,865				
2005	22,082	22,082	6,114	6,114				
2006	5,096	5,096	401	401				
2007	5,182	5,182	0	0				
2008	4,320	4,320	0	5				
2009	4,367	3,589	0	0				
<b>All Years</b>	<b>159,518</b>	<b>158,739</b>	<b>59,551</b>	<b>63,245</b>	<b>39,760</b>	<b>352</b>	<b>103,357</b>	<b>65.1%</b>

**NET**

ACGL GLOBAL TRIANGLES  
 ITD Property Large Loss Exhibit  
 Data as of 12/31/2009 in \$US thousands

REINSURANCE LARGE LOSS EXHIBIT

Underwriting Year Basis

<b>GROSS</b>	<u>Underwriting Year</u>	<u>Property Catastrophe</u>	<b>Reported Loss &amp; ALAE</b>			<u>Total</u>
			<u>Marine/Aviation/Space</u>	<u>Other Property</u>	<u>Other Property</u>	
	2002	0	0	217	217	217
	2003	0	1,588	6,730	8,318	8,318
	2004	51,809	49,385	111,980	213,174	213,174
	2005	103,583	97,274	173,240	374,097	374,097
	2006	0	0	5,131	5,131	5,131
	2007	25	34,181	17,497	51,703	51,703
	2008	87,038	107,892	30,961	225,891	225,891
	2009	0	0	0	0	0
	<b>All Years</b>	<b>242,455</b>	<b>290,320</b>	<b>345,757</b>	<b>878,532</b>	<b>878,532</b>

<b>CEDED</b>	<u>Underwriting Year</u>	<u>Property Catastrophe</u>	<b>Reported Loss &amp; ALAE</b>			<u>Total</u>
			<u>Marine/Aviation/Space</u>	<u>Other Property</u>	<u>Other Property</u>	
	2002	0	0	0	0	0
	2003	0	169	0	169	169
	2004	18,453	20,030	33,766	72,249	72,249
	2005	48,258	40,586	116,762	205,606	205,606
	2006	0	0	2,309	2,309	2,309
	2007	11	16,499	7,873	24,384	24,384
	2008	0	6,473	0	6,473	6,473
	2009	0	0	0	0	0
	<b>All Years</b>	<b>66,722</b>	<b>83,757</b>	<b>160,710</b>	<b>311,189</b>	<b>311,189</b>

<b>NET</b>	<u>Underwriting Year</u>	<u>Property Catastrophe</u>	<b>Reported Loss &amp; ALAE</b>			<u>Total</u>
			<u>Marine/Aviation/Space</u>	<u>Other Property</u>	<u>Other Property</u>	
	2002	0	0	217	217	217
	2003	0	1,420	6,730	8,150	8,150
	2004	33,356	29,355	78,214	140,925	140,925
	2005	55,325	56,688	56,479	168,492	168,492
	2006	0	0	2,822	2,822	2,822
	2007	14	17,682	9,623	27,319	27,319
	2008	87,038	101,419	30,961	219,418	219,418
	2009	0	0	0	0	0
	<b>All Years</b>	<b>175,733</b>	<b>206,563</b>	<b>185,047</b>	<b>567,343</b>	<b>567,343</b>

Note: Underwriting Year 2002 - Ivan, Jeanne  
 Underwriting Year 2003 - Charley, Frances, Ivan, Jeanne, Katrina, Rita  
 Underwriting Year 2004 - Charley, Frances, Ivan, Jeanne, Katrina, Rita, Wilma  
 Underwriting Year 2005 - Katrina, Rita, Wilma  
 Underwriting Year 2006 - Gustav, Ike  
 Underwriting Year 2007 - Gustav, Ike  
 Underwriting Year 2008 - Gustav, Ike