STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Arch Insurance Company for the period ended December 31, 2017, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, territory and plan of operation, growth of company, loss experience, reinsurance, financial statements, examination changes, comments on financial statement items, and summary of recommendations

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Arch Insurance Company as of December 31, 2017 be and is hereby ADOPTED as filed and for Arch Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 20th day of June, 2019.

Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

FINANCIAL EXAMINATION OF

ARCH INSURANCE COMPANY

AS OF

DECEMBER 31, 2017

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Jersey City, New Jersey
April 30, 2019

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

Arch Insurance Company

hereinafter referred to as such, as AIC, or as the Company. Its primary office is located at Harborside 3, 210 Hudson Street, Suite 300, Jersey City, New Jersey, 07311, telephone number (201) 743-4000. This examination began on May 21, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of AIC. The last examination was completed as of December 31, 2014. This examination covers the period of January 1, 2015, through December 31, 2017. This examination also included the material transactions or events occurring subsequent to December 31, 2017.

This examination was performed concurrently with the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) examinations of Arch Specialty Insurance Company (ASIC), Arch Excess & Surplus Insurance Company (AESIC), and Arch Indemnity Insurance Company (AIIC), direct and indirect subsidiaries of AIC.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (*Handbook*) except where practices, procedures and applicable regulations of the DIFP or the Revised Statutes of the State of Missouri (RSMo) prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks.

An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Underwriting, Claims Handling, Reserving, Reinsurance, and Related Party Transactions.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examiners relied upon information and workpapers provided by the Company's independent auditor, PricewaterhouseCoopers LLP (PwC) of New York, New York, for its audit covering the period from January 1, 2017 through December 31, 2017. Such reliance included, but was not limited to, fraud risk analysis, adjusting journal entry testing, internal control narratives, tests of internal controls, and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

Effective January 1, 2018, AIC's inforce quota share agreements with upstream parent Arch Reinsurance Ltd (ARL), were terminated (see the Reinsurance – Ceded section of this report for a description of the agreements). The termination resulted in a return of ceded premium of $423 million, offset by applicable ceding commissions, during first quarter 2018. No additional business written by AIC during 2018 was ceded to ARL.

On December 6, 2018, AIC acquired McNeil & Company, Inc., a privately held company specializing in risk, underwriting and claims management, for $96 million. The purchase was funded by a cash capital contribution from AIC's direct parent, ARC.

COMPANY HISTORY

General

Arch Insurance Company, formerly known as First American Insurance Company, was incorporated on December 15, 1971, as a stock casualty insurance company, and was granted authority pursuant to the provisions of Chapter 379 RSMo (Insurance Other than Life) to commence the business of insurance effective June 30, 1980. AIC was incorporated as a wholly owned subsidiary of First American Financial Corporation (FAFC).

On June 4, 2001, the DIFP approved the acquisition of FAFC and the Company by Arch Capital Group, Ltd. In 2002, the name of First American Financial Corporation was changed to Arch Insurance Group, Inc. On June 26, 2002, the DIFP approved the name change of First American Insurance Company to Arch Insurance Company.

A change in Arch Insurance Company's direct owner occurred on December 15, 2015, when Arch Insurance Group, Inc. (AIGI) issued a stock dividend to Arch Reinsurance Company (ARC), granting ARC 100% of its stock ownership in AIC. There was no monetary effect on AIC as result of this dividend, and AIC's ultimate controlling entity (Arch Capital Group, Ltd., or ACGL) remained the same. The change had no impact on operations, management, or the directors/officers of AIC or its subsidiaries.

Dividends

No dividends were declared or paid by AIC during the examination period.

Capital Contributions

The Company did not receive or make any capital contributions during the examination period. See the Subsequent Events section of this report for a description of capital contributions made subsequent to the examination period.

Mergers and Acquisitions

On December 31, 2016, Arch U.S. MI Holdings (a U.S. based subsidiary of ACGL) acquired United Guaranty Corporation (UGC) from American International Group, Inc. (AIG). UGC is a market leader in the U.S. private mortgage insurance industry. The acquisition had no impact on operations, management, or the directors/officers of AIC or its subsidiaries. See the Subsequent Events section of this report for a description of merger and acquisition activity occurring subsequent to the examination period.

CORPORATE RECORDS

The Company's Articles of Incorporation (Articles) and Bylaws were reviewed for any changes during the period under examination. The Articles were not amended during the examination period. The Bylaws were amended in 2015 to address administrative items recommended in the prior examination. These amendments included changes in administrative office address, date of annual shareholder meeting, and definitions of executive roles and reporting structure. The Bylaws were also amended in 2016 to change the administrative office address and delete certain previously required officer positions.

MANAGEMENT AND CONTROL

Board of Directors

The Company's Articles of Incorporation specify that the Board of Directors (Board) shall consist of between nine and twenty-five members. This complies with 379.035 RSMo (Articles of Incorporation for Stock Companies). The Directors elected and serving as of December 31, 2017 were as follows:

Name and Address	Business Affiliation
Nicolas A.E. Papadopoulo Paget, Bermuda	Chairman and Chief Executive Officer Arch Insurance Worldwide
John P. Mentz Lakeville, MN	President Arch Insurance U.S.
Thomas J. Ahern Ridgewood, NJ	Senior Vice President, Chief Financial Officer, and Treasurer Arch Insurance Company and subsidiaries
Michael D. Price Westfield, NJ	Executive Vice President and Chief Underwriting Officer Arch Insurance Company and subsidiaries
Patrick K. Nails Yardley, PA	Senior Vice President, General Counsel and Chief Claims Officer Arch Insurance Company and subsidiaries
Marita A. Oliver New York, NY	Executive Vice President Arch Insurance Company and subsidiaries
John A. Rafferty Western Springs, IL	Executive Vice President Arch Insurance Company and subsidiaries
David M. Siesko New York, NY	Senior Executive Vice President Arch Insurance Company and subsidiaries
Thomas C. Connolly New York, NY	Vice President and Deputy Chief Financial Officer Arch Insurance Company and subsidiaries

Although all of the members of AIC's Board of Directors as indicated above are employees of ACGL entities, indicating a lack of independence in the Company's governance, this is not unusual given the ownership structure of AIC as a subsidiary of a publicly-held corporation. To ascertain independence and prudent corporate governance standards, the examination reviewed the composition of the Board of Directors of ACGL, the ultimate controlling entity of AIC. ACGL's current Board of Directors is comprised of ten directors, three of whom are employees. ACGL's Board of Directors concluded that the seven non-employee directors are independent as defined under the applicable listing standards of the NASDAQ Stock Market, LLC (NASDAQ). The Audit, Compensation and Nominating Committees of the ACGL Board are composed entirely of independent directors.

Senior Officers

The following officers were elected and serving as of December 31, 2017:

Name	Office
Nicolas A.E. Papadopoulo	Chairman
John P. Mentz	President
John S. Edack	Senior Executive Vice President, Casualty
David M. Siesko	Senior Executive Vice President & Chief Claims Officer
Glenn R. Yanoff	Senior Executive Vice President, Contract Binding Operations
William J. Casey, Jr.	Executive Vice President, Chief Regional & Marketing Officer
David M. Finkelstein	Executive Vice President, Surety
Brian D. First	Executive Vice President, P&C Programs & Alternative Markets
Michael L. Kmetz	Executive Vice President, Property
Mark H. Lima	Executive Vice President, Southeast Region Branch Administrator
Patrick J.R. Mailloux	Executive Vice President, Executive Corporate
Kevin L. O'Brien	Executive Vice President, Healthcare
Marita A. Oliver	Executive Vice President, Corporate Underwriting
William A. Palmer	Executive Vice President, Midwest Region Branch Administrator
Michael D. Price	Executive Vice President, Chief Underwriting Officer
Justin F. Psaki	Executive Vice President, Executive Assurance
John A. Rafferty	Executive Vice President, Executive Assurance, Healthcare & Professional Liability
Richard A. Stock	Executive Vice President, Construction, National Accounts & Excess Workers Compensation
Thomas J. Ahern	Senior Vice President, Chief Financial Officer, and Treasurer
Patrick K. Nails	Senior Vice President, General Counsel, and Secretary

Principal Committees

Pursuant to AIC's Bylaws, the Board of Directors may designate one or more committees comprised solely of members of the Board, each of which shall consist of at least two members. The Board committee in existence at December 31, 2017 was the Investment and Finance Committee. Appointed members of the Investment and Finance Committee as of December 31, 2017 were Nicholas A.E. Papadopoulo (Chairman), Thomas J. Ahern, John P Mentz, and Patrick K. Nails.

AIC's Board of Directors designates the ACGL Audit Committee to act as its Audit Committee. As of December 31, 2017, ACGL's Audit Committee consisted of Brian S. Posner (Chairman), Yiorgis Lillikas, Louis Paglia, and Eugene S. Sunshine. ACGL's Board determined that all of the Audit Committee members were independent under the applicable standards of NASDAQ and the Securities Exchange Act of 1934 and that Mr. Posner qualifies as an "audit committee financial expert" under the rules of the Securities and Exchange Commission.

Besides the Board committees discussed above, AIC has established various management committees to provide oversight and guidance. These include the Enterprise Risk Management Committee, the Reserve Review Committee, the Reinsurance Steering Committee, the IT Steering Committee, Claims Escalation Committee, and the Anti-Fraud Committee.

Holding Company, Subsidiaries and Affiliates

AIC is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). The Company is a wholly owned subsidiary of Arch Reinsurance Company (ARC), a Delaware-domiciled insurer, and is ultimately owned by ACGL, a Bermuda-based publicly held limited liability company.

ACGL is traded on the NASDAQ National Market under the symbol ACGL. Funds associated with Artisan Partners Holdings LP (Artisan) owned 13.3% of the shares of ACGL as of December 31, 2017. Artisan submitted to the DIFP a disclaimer of affiliation stating the holdings in ACGL are held for investment purposes only. No other stockholder owned 10% or more of ACGL.

The three underwriting segments of ACGL are insurance, reinsurance, and mortgage. The U.S. operations of AIC and its insurance subsidiaries comprise approximately 80% of the net written premiums for ACGL's insurance segment. This segment also has operations in Bermuda, Europe, and Australia.

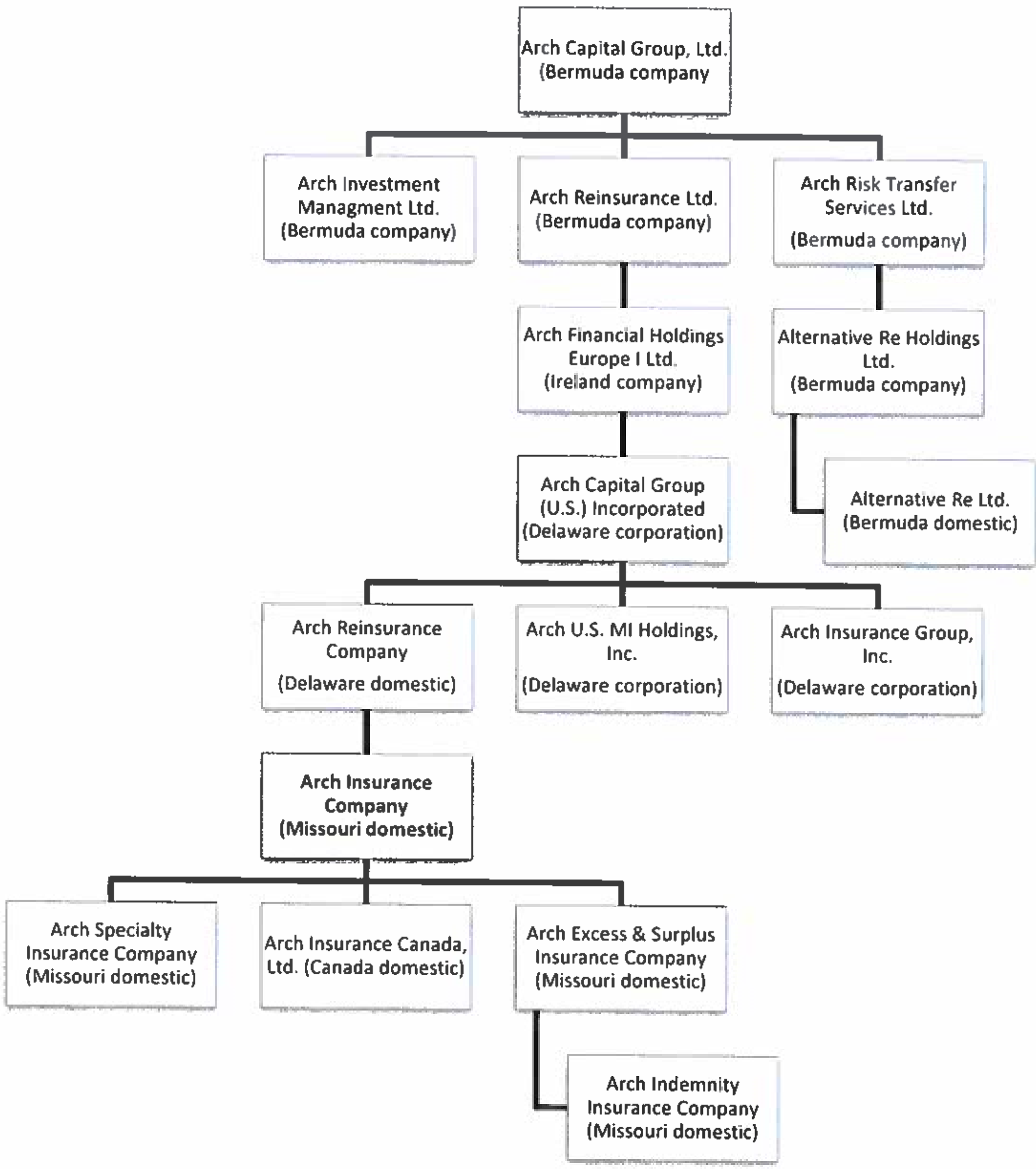
AIC directly and indirectly owns 100% of the following subsidiaries:

- ASIC is a Missouri domiciled insurer that is licensed only in Missouri, but is an approved excess and surplus lines insurer in the remaining 49 states and the District of Columbia. ASIC writes mostly commercial property and liability lines of business and had direct written premium of $475 million in 2017.
- AESIC is a Missouri domiciled insurer that is only licensed in Missouri, but is an approved excess and surplus lines insurer in 48 states. AESIC does not currently have any active business.

- AIIC is a Missouri domiciled insurer that is licensed in 49 states and the District of Columbia and currently writes only workers' compensation insurance. AIIC had direct written premium of $64 million in 2017.
- Arch Insurance Canada, Ltd. is a Canadian domestic insurer that is authorized in all provinces and territories and writes various lines of property and casualty business.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2017 (all subsidiaries shown are wholly owned unless otherwise noted):



Intercompany Transactions

The Company's significant intercompany agreements in effect, as of December 31, 2017, are outlined below:

1. **Type:** **Service Agreement**

   Parties: AIGI and AIC

   Effective: July 1, 2004

   Terms: AIGI provides AIC with supervision of all phases of its operations, including, but not limited to, the following: underwriting, actuarial studies, claims service, accounting, data processing, and other responsibilities. For the services provided, AIGI is compensated for the direct costs incurred in providing services.

2. **Type:** **Amended and Restated Investment Manager Agreement**

   Parties: Arch Investment Management Ltd. (AIM) and AIC

   Effective: January 1, 2015

   Terms: AIM is to provide investment management services on behalf of AIC. The services are to include the investment and reinvestment of the AIC's assets, the reporting of the market value of investments, the reconciliation of accounting, transaction, and investment summary data with custodian reports, and the appointment of brokers. AIM is also to advise, oversee, and review any third-party investment manager's services. AIC shall compensate AIM on a monthly basis in arrears based upon its asset account balances managed by AIM. AIM shall receive 14.5 basis points for directly managed accounts and 11.0 basis points for indirectly managed accounts.

3. **Type:** **Fourth Amended and Restated Tax Sharing Agreement**

   Parties: Arch Capital Group, Inc. (ACGI) and subsidiaries, including AIC, ASIC, AESIC, and AIIC

   Effective: January 1, 2017

   Terms: ACGI is to collect from, or refund to, each subsidiary the amount of federal income taxes or benefits determined as if the subsidiary filed a separate return. Balances arising out of the agreement are to be settled no less often than quarterly.

4. **Type: Producer Agreement**

Parties: Arch Insurance Solutions, Inc. (AISI) and AIC

Effective: January 1, 2013

Terms: AISI will act as an agent to sell travel insurance products for AIC. AISI will perform underwriting, account management, claims administration and settlement services. AISI will receive a commission equal to 43% of gross written premiums for business produced. AISI will also receive fees equal to 1% of gross written premiums for account management services and 3% of gross written premium for claims administration services.

The Company has significant reinsurance agreements with Arch Reinsurance Limited that are described in the Reinsurance Ceded section of this report. The Company also has several cost allocation agreements with ASIC, AESIC, AIIC, and other affiliates in regards to joint reinsurance agreements with unaffiliated reinsurers. The cost allocation agreements define methodologies to allocate reinsurance premiums and loss recoveries in the event that the amounts are not identifiable to individual parties.

TERRITORY AND PLAN OF OPERATION

AIC is licensed as a property and casualty insurer by the DIFP under Chapter 379 RSMo (Insurance Other than Life). The Company is licensed and writes direct business in all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. The states with the largest percentage of direct written premium in 2017 were as follows: California – 21%, New York – 11%, Texas – 6%, Illinois – 4%, Pennsylvania – 4%.

The major lines of business for AIC, based upon 2017 direct written premiums, are listed in the table below.

Line of Business	Direct Written Premiums	Percent of Total
Workers' Compensation	$ 495,203,854	25.7%
Other Liability – Occurrence	310,726,061	16.1%
Other Liability – Claims Made	293,787,273	15.2%
Commercial Auto Liability	207,211,838	10.7%
Inland Marine	128,371,758	6.7%
All Other	495,087,681	25.6%
Total	$1,930,388,465	100.0%

The Company's operations are managed in various specialty product lines within the insurance segment of ACGL. Descriptions of the largest product lines are listed below:

- Construction and National Accounts – Workers' compensation and other liability coverages are provided for middle and large sized customers.
- Programs – Managing general agents and program administrators produce and service property and casualty package policies for various industries.
- Professional Lines – Various liability coverages are provided, including directors' and officers' liability, errors and omissions liability, employment practices liability, fiduciary liability, and professional liability. Customer classes include accountants, lawyers, insurance agents, securities broker-dealers, partnerships, and non-profit organizations.
- Travel, Accident and Health – Trip cancellation or interruption insurance is provided for sickness, emergencies, and other unforeseen events. Medical coverage is provided for individual, group, and corporate travelers.

GROWTH OF COMPANY

The table below shows the Company's premium writings and writing ratios for the current examination period.

Year	Direct Premiums Written	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2015	$1,793,480,998	$772,850,303	-1.6%	$826,539,368	0.94
2016	1,849,554,452	793,160,537	2.6%	888,602,495	0.89
2017	1,930,388,465	810,887,512*	2.2%	929,779,383	0.87

* Excludes $1.36 billion loss portfolio transfer payment (see the Reinsurance – Ceded section of this report); actual 2017 net premiums were ($549,112,488).

There was overall small growth in net premiums written during the examination period. Net income averaged $58 million from 2015 to 2017, which contributed to an average annual surplus growth of 6% for the period. This growth in surplus resulted in a strengthened premium writing ratio each year of the examination period.

LOSS EXPERIENCE

The table below shows the Company's incurred losses and loss ratios for the current examination period.

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2015	$770,429,444	$527,676,577	68.5%
2016	786,025,678	561,653,153	71.5%
2017	804,392,482*	624,965,143*	77.7%

* Excludes $1.36 billion loss portfolio transfer payment (see the Reinsurance – Ceded section of this report); actual 2017 earned premiums were ($555,607,518) and actual 2017 losses and LAE were ($736,034,857).

The loss ratios were relatively stable in 2015 and 2016, but increased by 6% in 2017 due to higher property losses from hurricanes and wildfires.

REINSURANCE

General

The Company's written premium activity on a direct, assumed and ceded basis for the period under examination is detailed below:

	2015	2016	2017
Direct Business	$1,793,480,998	$1,849,554,452	$1,930,388,465
Assumed:			
Affiliates	454,880,728	474,550,330	429,760,370
Non-affiliates	31,141,519	24,051,936	27,309,170
Ceded:			
Affiliates	(967,388,280)	(944,275,034)	(2,308,686,093)
Non-affiliates	(539,264,662)	(610,721,147)	(627,884,400)
Net Premiums Written	$ 772,850,303	$ 793,160,537	($ 549,112,488)

Assumed

The majority of the Company's assumed premiums are from quota share agreements with its three insurance subsidiaries - ASIC, AESIC, and AIIC. Per the terms of each agreement, AIC assumes 100% of net written premiums and pays a ceding commission of 30% to the subsidiaries. The business assumed from ASIC and AIIC accounted for 80% and 14%, respectively, of AIC's total assumed premium in 2017. AESIC did not have any net written premiums in the examination period.

An immaterial amount of non-affiliated business is assumed from pools and associations and facultative treaties with various ceding companies.

Ceded

AIC's reinsurance program is structured to first obtain coverages from numerous external reinsurers that meet the Company's standards for financial strength. Quota share reinsurance is obtained on an intercompany basis after the application of external reinsurance agreements.

External reinsurance is obtained separately for each of the Company's product lines for the combined book of business from AIC and its insurance subsidiaries. External reinsurance agreements provide coverage on a quota share, per risk excess of loss, per occurrence excess of loss, and catastrophe excess of loss basis. AIC's ceded risk is spread among a highly diversified portfolio of reinsurers. Total non-affiliated ceded reinsurance recoverables totaled $1.5 billion, as of December 31, 2017, and the reinsurer with the largest recoverable amount only represented 6% of the total.

AIC's most significant affiliated reinsurer in the examination period was Arch Reinsurance, Ltd. (ARL), a Bermuda domiciled entity. AIC ceded $2.27 billion or 77% of its total ceded premiums to ARL in 2017. The net reinsurance recoverable from ARL, as of December 31, 2017, was $3.9 billion, which represented 70% of AIC's total net reinsurance recoverable.

The Company had several reinsurance agreements with ARL that ceded business on a quota share basis as a percentage of its net retained liability after external and other affiliated reinsurance. The agreements covered the majority of the product lines written by AIC and its subsidiaries with the exception of the Alternative Markets and Global and Excess & Surplus Property product lines. The ceding percentage in the agreements with ARL varied from 50% to 100%, depending upon the year and the line of business covered. As described in the Subsequent Events section of this report, these agreements were terminated subsequent to December 31, 2017.

Effective December 31, 2017, the AIC entered into two loss portfolio transfer (LPT) agreements with ARL as part of the holding company group's capital management strategy. Under the terms of the first LPT, ARL assumed 100% of AIC's remaining net loss reserves for discontinued/inactive product lines. Under the terms of the second LPT, ARL assumed 80% of AIC's remaining net loss reserves for active product lines. The combined loss reserves ceded to ARL for both LPT agreements totaled $1.36 billion with a corresponding amount of ceded premium paid by AIC.

Property catastrophe reinsurance is purchased by ACGL, on behalf of AIC and other ACGL subsidiaries. The catastrophe agreements for 2017 cover losses up to $200 million in excess of a $150 million for any single event. The Company also has catastrophe agreements for the workers' compensation line of business that cover accidents on a per occurrence basis up to $75 million of losses in excess of a $50 million retention.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of the Company for the period-ending December 31, 2017. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items". These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual activity.

ASSETS
as of December 31, 2017

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$2,483,719,500	$ 0	$2,483,719,500
Common Stocks	446,692,985	0	446,692,985
Cash and Short-Term Investments	141,654,914	0	141,654,914
Other Invested Assets	75,000	0	75,000
Securities Lending Reinvested Collateral	188,363,154	0	188,363,154
Investment Income Due and Accrued	18,462,107	0	18,462,107
Uncollected Premiums	114,873,984	17,671,397	97,202,587
Deferred Premiums	250,612,370	0	250,612,370
Accrued Retrospective Premiums	29,571,938	189,743	29,382,195
Amounts Recoverable from Reinsurers	20,249,052	0	20,249,052
Funds Held by Reinsured Companies	933,314	0	933,314
Other Reinsurance Amounts Receivable	154,397	0	154,397
Federal Income Tax Recoverable	26,048,363	0	26,048,363
Net Deferred Tax Asset	43,564,785	14,726,297	28,838,488
Receivable from Parent, Sub., Affiliates	594,523	0	594,523
Aggregate Write-In Assets	211,946,759	23,064,541	188,882,218
TOTAL ASSETS	**$3,977,517,145**	**$55,651,978**	**$3,921,865,167**

LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2017

Losses	$ 282,724,862
Reinsurance Payable on Paid Losses and LAE	69,823,191
Loss Adjustment Expenses	118,972,334
Commissions Payable	18,645,953
Other Expenses	2,803,269
Taxes, Licenses and Fees	25,092,637
Unearned Premiums	363,948,898
Advance Premium	5,521,286
Policyholders Dividends Declared and Unpaid	2,614,724
Ceded Reinsurance Premiums Payable	1,449,246,831
Funds Held Under Reinsurance Treaties	74,614,938
Amounts Withheld	214,539,977
Remittances and Items Not Allocated	15,259,043
Provision for Reinsurance	17,298,033
Payable to Parent, Subsidiaries and Affiliates	47,751,287
Payable for Securities Lending	188,363,154
Aggregate Write-In Liabilities	94,865,367
TOTAL LIABILITIES	**$2,992,085,784**
Common Capital Stock	5,000,000
Gross Paid In and Contributed Surplus	619,356,419
Unassigned Funds (Surplus)	305,422,964
CAPITAL AND SURPLUS	**$ 929,779,383**
TOTAL LIABILITIES AND SURPLUS	**$3,921,865,167**

STATEMENT OF INCOME
For the Year Ended December 31, 2017

Premium Earned	(\$555,607,518)
DEDUCTIONS:	
Losses Incurred	(688,641,376)
Loss Adjustment Expenses Incurred	(47,393,481)
Other Underwriting Expenses Incurred	190,686,948
Aggregate Write-Ins for Underwriting Deductions	0
Total Underwriting Deductions	(\$545,347,909)
Net Underwriting Loss	(\$ 10,259,609)
Net Investment Income Earned	46,947,535
Net Realized Capital Gains	(1,213,262)
Net Investment Gain	\$ 45,734,273
Other Income	(78,777)
Dividends to Policyholders	864,256
Federal Income Taxes Incurred	(36,584,331)
NET INCOME	**\$ 71,115,962**

RECONCILIATION OF SURPLUS
Changes from January 1, 2015 to December 31, 2017
($000's omitted)

	2015	2016	2017
Capital and Surplus, Beginning of Year	$778,368	$826,539	$888,602
Net Income	52,807	49,666	71,116
Change in Net Unrealized Capital Gains (Losses)	1,708	10,190	8,805
Change in Net Unrealized Foreign Exchange Capital Gain (Loss)	189	(267)	0
Change in Net Deferred Income Tax	2,709	11,809	(72,404)
Change in Non-Admitted Assets	(4,399)	(12,067)	38,843
Change in Provision for Reinsurance	(4,843)	2,732	(5,183)
Agg. Write-Ins for Gains (Losses) in Surplus	0	0	0
Change in Capital and Surplus for the Year	$ 48,171	$ 62,063	$ 41,177
Capital and Surplus, End of Year	**$826,539**	**$888,602**	**$929,779**

EXAMINATION CHANGES

None.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Arch Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Sara McNeely, Examiner-In-Charge, CFE, Ronald Musopole, AFE, Alicia Galm, Kimberly Dobbs, CFE, AES, and Bernie Troop, CFE, examiners for the Missouri DIFP, also participated in this examination. Kristine Fitzgerald, ACAS, MAAA, of Actuarial & Technical Solutions, Inc., also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Shannon W. Schmoeger, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Arch Insurance Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Shannon W. Schmoeger, CFE, ARe
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 3rd day of May, 2019.

My commission expires: March 30, 2023

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

HALEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634368

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Levi Nwasoria, CPA, CFE
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration