



The Insurance Information Source

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A.M. Best Upgrades Ratings of Arch Reinsurance Ltd.

OLDWICK, N.J.--(BUSINESS WIRE)--**A.M. Best Co.** has upgraded the financial strength rating (FSR) to A (Excellent) from A- (Excellent) and the issuer credit ratings (ICR) to "a" from "a-" of **Arch Reinsurance Ltd.** (Arch) (Bermuda) and its reinsured affiliates. A.M. Best also has upgraded the ICR to "bbb-" from "bb+" of **Arch Capital Group (U.S.) Inc.** (Greenwich, CT). Concurrently, A.M. Best has upgraded the ICR to "bbb" from "bbb-" and all related debt ratings of **Arch Capital Group Limited** (Bermuda) (NASDAQ:ACGL). The outlook for all ratings is stable. (See below for a detailed list of the ratings.)

These rating upgrades reflect Arch's excellent capitalization, strong operating performance since its inception and robust risk management system. The company's proven risk management capability has enabled recent and historical operating performance to be among the leaders in the Bermuda market as evidenced by a 2005 combined ratio of 95.8%, despite net catastrophe losses totaling approximately \$330 million for the year.

Arch, along with its affiliated companies, offers primary and reinsurance coverage for both property/casualty lines on a worldwide basis. The combination of Arch's risk management characteristics, operational controls and diversified business profile have created an organization capable of effectively responding to changes in the market cycle.

Furthermore, the company's solid financial flexibility provides strong access to both debt and equity markets. Arch's financial leverage measures remain low as compared to the industry. A.M. Best expects the company to maintain financial leverage as measured by debt and preferred-to-total capital below 20%, while fixed charge coverage is expected to remain in the upper single digit range.

Arch's reinsurance and insurance casualty loss reserve positions for earlier accident years have been maturing and proven to be within conservative ranges. The absence of adverse development in these reserves has provided A.M. Best with comfort concerning the company's initial loss ratio assumptions.

Partially offsetting these strengths will be Arch's ability to maintain its underwriting discipline and competitive position within its chosen markets given the additional capital that has entered the industry through new company formations, sidecars and strong 2006 earnings.

The FSR has been upgraded to A (Excellent) and the ICRs to "a" for **Arch Reinsurance Ltd.** and its following reinsured affiliates:

- **Arch Reinsurance Company**
- **Arch Insurance Company**
- **Arch Specialty Insurance Company**
- **Arch Excess & Surplus Insurance Company**

The ICR has been upgraded to "bbb" for **Arch Capital Group Limited.**

The ICR has been upgraded to "bbb-" for **Arch Capital Group (U.S.) Inc.**

The following debt ratings have been upgraded:

Arch Capital Group Limited—

- to "bbb" from "bbb-" on \$300 million 7.35% senior unsecured notes, due 2034
- to "bb+" from "bb" on \$200 million 8% non-cumulative Series A preferred shares
- to "bb+" from "bb" on \$125 million 7.875% non-cumulative Series B preferred shares

The following indicative shelf ratings have been upgraded for debt securities available under the existing shelf registrations:

Arch Capital Group Limited—

- to "bbb" from "bbb-" on senior unsecured debt

-- to "bbb-" from "bb+" on senior subordinated debt

-- to "bb+" from "bb" on preferred stock

Arch Capital Group (U.S.) Inc. —(guaranteed by Arch Capital Group Limited)

-- to "bbb" from "bbb-" on senior unsecured debt

A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source. For more information, visit A.M. Best's Web site at www.ambest.com.

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