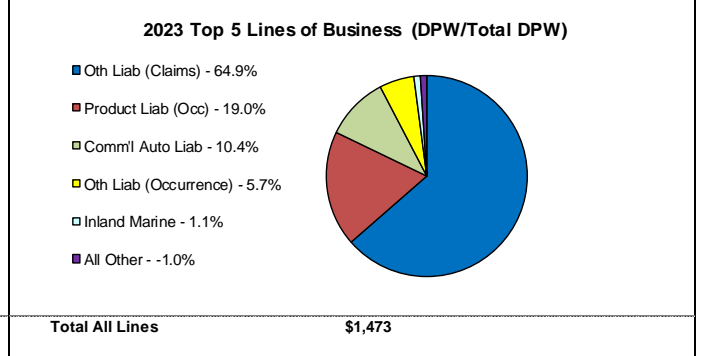
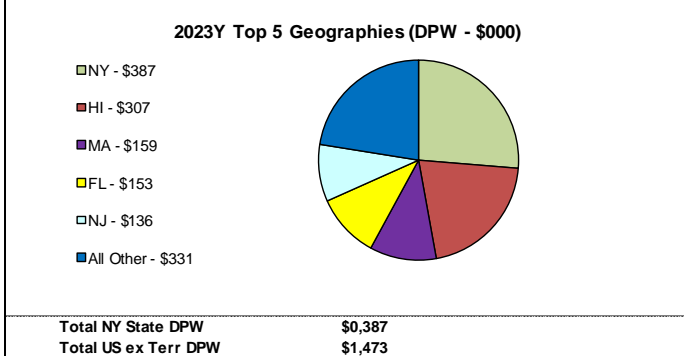
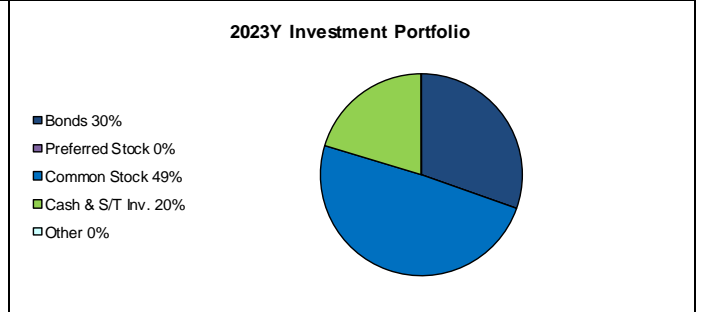
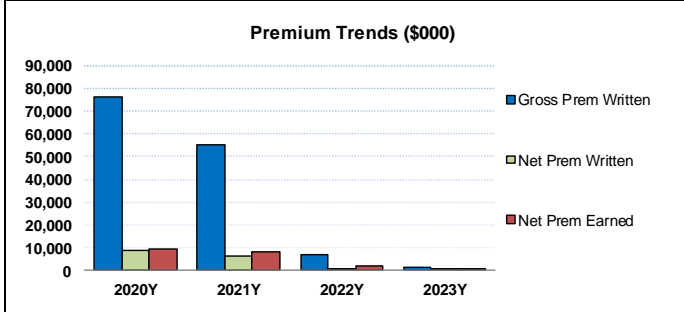
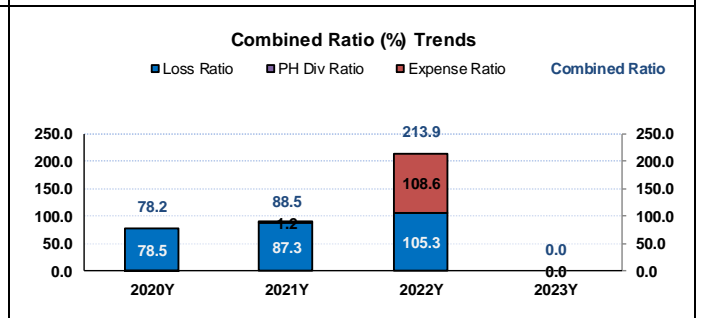
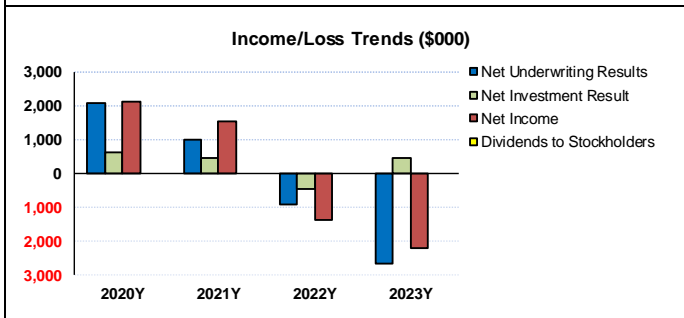




**WATFORD SPECIALTY INSURANCE COMPANY, NAIC #15824
ARCH CAPITAL GROUP, LTD**

Dollars in 000

	2020Y	2021Y	2022Y	2023Y		2020Y	2021Y	2022Y	2023Y
Total Assets	95,014	89,373	73,385	65,268	RBC Ratio (%)	719.6	829.0	1,111.0	1,197.0
Total Liabilities	37,378	28,741	14,539	12,026	2yr Res Development	476	1,915	1,740	2,680
Policyholder Surplus	57,636	60,632	58,846	53,242	2yr Dev / Surplus	78.1%	320.4%	301.9%	442.0%
Cash & Invested Assets	73,954	68,640	55,551	54,018	Affiliated Common Stck	32,548	31,349	30,067	26,606
Cash & Invested Assets / Total Assets	77.8%	76.8%	75.7%	82.8%	Affiliated CS / Surplus	56.5%	51.7%	51.1%	50.0%
Net Cash from Operations	-2,825	-3,686	-10,390	1,410	Net Reins Recoverable	101,932	116,433	94,939	83,200
Loss & LAE Reserves	10,417	14,217	11,972	10,515	Net Reins Rec / Surplus	176.9%	192.0%	161.3%	156.3%
Loss & LAE Reserves/Surplus	18.1%	23.4%	20.3%	19.7%	AMB / S&P Ratings	A- / NR	A- / NR	A- / NR	A- / NR



TOP 5 REINSURERS FOR WATFORD SPECIALTY INSURANCE CO BY GROSS RECOVERABLES

PERIOD: 2023Y

Dollars in 000

Reinsurer	Reinsurance Class	Reins Authorized Status	Gross Recov	Over 120 Days Overdue
1 - Arch Reinsurance Company	US Affiliated Non-captive Non-pooling	Authorized	19,324	0
2 - Somers Re Ltd.	Non-US Affiliated Non-captive	Unauthorized	9,408	0
3 - Everest Reinsurance Company	US Unaffiliated	Authorized	311	0
4 - Swiss Reinsurance America Corporation	US Unaffiliated	Authorized	247	0
5 - SiriusPoint America Insurance Company	US Unaffiliated	Authorized	232	0

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ULTIMATE PARENT – Arch Capital Group Ltd.

Corporate Profile		Financial Strength Ratings	
Address:	Arch Capital Group Ltd. Waterloo House Pembroke, -, -	S&P Global:	-
Website:	www.archgroup.com	Moody's:	#OUTSIDE SUBSCRIPTION
President :	Nicolas Alain Emmanu Papadopoulos	Fitch:	-
Ticker Symbol:	NASDAQGS: ACGL	AM Best - P&C:	-
SEC Filing:	10-K		

Highlights (\$000)	2020Y	2021Y	2022Y	2023Y
Total Assets	43,282,297	45,100,945	47,990,507	58,906,000
Total Policy Reserves	21,352,894	23,769,098	27,368,945	31,560,000
Total Debt	3,152,815	2,851,105	2,877,300	2,882,000
Total Other Liabilities	4,105,884	3,342,360	3,293,441	4,109,000
Sep Account Liabilities	0	0	0	0
Total Liabilities	29,294,856	31,545,816	35,069,605	40,551,000
Total Equity	13,928,893	13,545,896	12,910,073	18,353,000
Total Liab & Equity	43,223,749	45,091,712	47,979,678	58,904,000
Book Value / Share (\$)	30.31	33.56	32.62	46.93
Reserves / Investments & Cash (x)	0.71	0.83	0.94	0.88
Reserves / Liabilities (x)	0.73	0.75	0.78	0.78
Reserves / Equity (x)	1.53	1.75	2.12	1.72
Debt / Equity (x)	0.23	0.21	0.22	0.16
Dec. 31 Closing Price (\$)	36.07	44.45	62.78	74.27
Net Income (\$)	1,465,711	2,239,462	1,482,423	4,442,000
Basic EPS (\$)	3.38	5.34	3.90	11.94
Investment Yield (%)	5.42	3.83	-0.27	3.63
Ratios (%)				
Loss Ratio	67.10	56.70	51.90	50.20
Expense Ratio	26.90	28.50	29.70	29.10
PH Dividend Ratio	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Combined Ratio	94.00	85.20	81.60	79.30

HISTORY

Watford Specialty Insurance Company (Waterford Specialty) was licensed on September 29, 2015, in New Jersey, as a subsidiary of Watford Holdings US, itself owned by Watford Re, Ltd (Watford Re) (Bermuda). Watford Re is owned by Watford Holding Ltd (Watford Holdings) (Bermuda). ARCH Capital Group holds a 40% investment interest in Watford Holdings. Financial and operations control of the company remains with Watford Holdings and ARCH Capital Group through various management, investment, employee services and underwriting agreements. The company has been eligible to write business in New York since May 18, 2016. As of December 31, 2023, Watford Specialty is a New Jersey domestic surplus lines insurer and operated on a non-admitted basis in all fifty (50) states and the District of Columbia.

REINSURANCE

Watford Specialty cedes business under an 85% quota share agreement with its upstream parent, Watford Re. As such, the financial strength of the company is heavily dependent on the credit risk of Waterford, as well as investment risk of its own investment portfolio, managed in common through an investment management agreement with HPS Investment Partners, LLC, a subsidiary of ARCH Capital Group. For the years 2020 through 2023, respectively, Watford Specialty net reinsurance recoverable was shown as \$102M, \$116M, \$95M and \$83M, representing 177%, 192%, 161% and 156% of company surplus.

HOLDING COMPANY

Founded in 1995 as Risk Capital Holdings, Inc. and made a public company that same year in an IPO, the company changed its name to Arch Capital Group, Ltd (Arch) in 2000 and moved its headquarters to Bermuda. With approximately \$18.4 billion in capital at December 31, 2023, Arch provides insurance, reinsurance and mortgage insurance on a worldwide basis through its wholly owned subsidiaries. AM Best collectively rates nine (9) subsidiaries of Arch, including Arch Property Casualty Insurance Company. For the years 2020 through 2023, Arch was rated by AM Best and S&P as 'A+/A+' and assigned the financial size of XV (\$2bn >).

SUBSEQUENT NOTEWORTHY OBSERVATIONS

On July 6, 2021, Arch Capital along with investment partners Kelso & Company and Warburg Pincus, acquired Somers Group Holdings Ltd (which owned Watford Holdings) and its subsidiaries. Arch Capital owns 40% of Somers Group. Watford Specialty's ultimate controlling entity is Arch Capital for statutory reporting purposes.

Updated April 2024

Important Information Regarding Financial Summaries

This financial summary contains information helpful to New York excess lines brokers in meeting their non-delegable duty to use "due care" in the selection of a financially secure excess line insurer. Definitions of the financial terms used in the summaries appear as pop-up boxes when hovering your mouse over the corresponding text. For additional guidance on assessing insurance company financial statements, please reference "ELANY COMPLIANCE ADVISOR: FUNDAMENTALS OF INSURANCE COMPANY FINANCIAL ANALYSIS".

The Excess Line Association of New York has compiled the insurance company financial information from the Annual Statutory Financial Statements. All ratios, charts, and graphs are based on the compiled information. We have made every effort to ensure all information transcribed for these pages is correct. However, the Excess Line Association of New York cannot attest to the accuracy of data provided by its sources, nor do we make any warranties, either expressed or implied, regarding the accuracy or completeness of information presented in this document. We assume no responsibility for loss or damage resulting from the use of this information.