



## 2013 Global Loss Triangles

Published June 19, 2014

## 2013 Global Loss Triangles Cautionary Language

This report is for informational purposes only and is current as of December 31, 2013. 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.

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, prevailing credit terms and the depth and duration of a recession) and conditions specific to the reinsurance and insurance markets (including the length and magnitude of the current “soft” market) 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 information technology) to effectively support our current and new business;
- 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;
- 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 fair value of our investments;
- the impact of the continued weakness of the U.S., European countries and other key economies, projected budget deficits for the U.S., European countries and other governments and the consequences associated with possible additional downgrades of the U.S., European countries or other governments by credit rating agencies, and the resulting effect on the value of securities in our investment portfolio as well as the uncertainty in the market generally;

- 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 prior reinsurance business or to others in connection with the May 5, 2000 asset sale described in our periodic reports filed with the SEC;
- 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, 2013. This report provides greater detail on Arch’s loss and loss adjustment expense (“LAE”) reserves by showing Global Loss Triangles (“GLT”) for paid and reported loss and allocated loss adjustment expenses (“ALAE”) at annual evaluation dates. The most recent evaluation is as of December 31, 2013. For insurance lines, the loss triangles are presented net of reinsurance on an accident year basis. For reinsurance lines, the loss triangles are presented net of retrocessions on an underwriting year basis.

In addition, summary exhibits are provided which further highlight the gross, ceded and net results by business segment and GLT classes as of December 31, 2013. These summaries include: written premiums; earned premiums; paid loss and ALAE; reported loss and ALAE; incurred but not reported (“IBNR”) loss and ALAE; ultimate unallocated loss adjustment expenses (“ULAE”); and the ultimate loss and LAE ratios as of December 31, 2013 on an inception-to-date (“ITD”) basis from January 1, 2002 through December 31, 2013.

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 given 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, 2013 financial statements and to last year’s GLT report.

The inherent uncertainty associated with the estimation of loss and LAE reserves is a significant risk for 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 lines of business.

The process of establishing and 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 weightings 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 materially, from any prior estimate. Readers should also review additional reserve disclosures and the Company’s 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.

Readers of this report are strongly advised against projecting ultimate losses and LAE for Arch directly from the loss 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 result of the compilation of many discrete reserving groups within Arch that represent, among other things, different geographies, pricing environments, legislative climates and policy forms. Particular care should be used in any comparison of specific class results to insurance industry results, such as industry U.S. Schedule P based benchmarks. This is especially true for classes incorporating a mix of loss development tails and for classes defined as “All Other,” “Other Specialty” and “Other Reinsurance.” Also, as reinsurance business includes additional delays in reported business from ceding companies, additional caution should be used when comparing industry U.S. Schedule P based benchmarks for insurance to reinsurance classes.

Depending upon which actuarial reserving method is utilized, the presence or absence of large 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 triangles in this report have the potential of being materially inaccurate.

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, 2013 net reported losses, and the losses in the ITD exhibits represent the Company’s December 31, 2013 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 accounting principles generally accepted in the United States of America (“GAAP”).

As discussed more fully in Section II, the data reflected in these exhibits and triangles is presented in United States dollars (“USD”) and the appropriate adjustments have been made for foreign exchange movements. Future foreign exchange fluctuations will mean that the data presented in future GLT filings will not reconcile directly to the data included in this report.

## 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, net of reinsurance. For reinsurance lines, the loss triangles are presented on an underwriting year basis, net of retrocessions. The ITD exhibits for insurance and reinsurance lines display gross, ceded and net losses on an accident year basis and underwriting year basis, respectively.

### Data Presented

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

- **Triangles**
  - Net paid loss and ALAE
  - Net reported loss and ALAE
- **ITD 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 differs 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 USD and reflect the conversion from the original currency of the underlying business if not denominated in USD. Foreign currency denominated losses and premiums are converted based on exchange rates at the dates of the transactions to the functional currency of the legal underwriting entity, which is either USD, Euro ("EUR") or British Pound Sterling ("GBP"). Arch's reporting currency is USD. Fluctuations in currency exchange rates, between foreign functional currencies (i.e. GBP or EUR) and USD, can cause material shifts in loss development. To eliminate distortions caused by such fluctuations, data in the triangle exhibits has been restated using the December 31, 2013 rates of exchange of EUR to 1.3779 USD and GBP to 1.6562 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 ITD exhibits include ceded reinsurance (third party) and net schedules.



## Global Loss Triangle Classes

Triangles and ITD 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 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.

## 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 and 2010 to 2012 catastrophic events. Losses from specified significant catastrophic events 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 41 and 56.

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. In 2013, certain non-standard auto business of our US reinsurance operations (approximately \$8.0 million net incurred loss in total) was reclassified from the Casualty GLT segment to the Other Specialty GLT Segment.

## 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% of the loss and ALAE reserves carried by the Company as of December 31, 2013.

The following data is not included within the GLT and ITD exhibits:

- Certain insurance business written in the United Kingdom;
- Surety insurance business;
- Mortgage (re)insurance business;
- Life reinsurance business;
- Certain Denmark reinsurance business; and
- Miscellaneous other adjustments.

A reconciliation of the GLT and ITD exhibits to the consolidated financial statements, prepared in accordance with GAAP, is presented in Section V.

For reinsurance, approximately 8% of net earned premiums is excluded from the data due to commutations, but it is not evenly spread across segments. For Other Reinsurance, the commuted percentage is 43%; for Other Specialty, the commuted percentage is 27%; and for Property Catastrophe, the commuted percentage is 5%. The other reinsurance segments have a minimal amount of commuted business. No other business has been excluded from the analysis.

### **Discounting**

The losses in the triangles do not include a provision to reflect the time value of money. The carried loss and ALAE IBNR, as shown in the ITD exhibits, include a provision to reflect the time value of money for a portion of excess workers' compensation and employers' liability loss reserves within the insurance segment, valued at \$12.5 million as of December 31, 2013.

### **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 the reinsurance segment 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 direct expenses to be incurred in settling a claim. ALAE includes the costs of third party loss assessors or legal experts.

**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 claim costs 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, 2013.

**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 the time 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 reported. 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.

**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 indirect 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 indirect 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.

### III. CLASSIFICATION DETAILS

#### **Insurance Segment**

Our insurance group data is categorized as 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, marine, aviation (which is currently in runoff) and stand-alone terrorism insurance coverage for commercial clients.

Of the data included in this category, on an ITD basis through December 31, 2013, 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, 2013, the distribution by net earned premium and by U.S. annual statement line of business is: 40% Fire, 22% Ocean Marine, 21% Allied Lines, 9% Aircraft, and 9% other lines.

The lines of business in this category are considered "short-tail" business with the exception of Marine which is considered "medium-tail". On an ITD basis through December 31, 2013, the distribution by net earned premium is: 75% short-tail and 25% medium-tail.

#### **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.

*National Accounts.* Our insurance group's national accounts 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.

*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.

*Alternative markets.* Our insurance group provides a range of alternative market solutions, including captive insurance programs.

Of the data included in this category, on an ITD basis through December 31, 2013, the distribution of business by net earned premium and by financial reporting line is: 45% Casualty, 39% Construction, 12% National Accounts, and 5% Excess Workers' Compensation.

On an ITD basis through December 31, 2013, the distribution by net earned premium and by U.S. annual statement line of business is: 43% Other Liability – Occurrence, 28% Workers' Compensation, 8% Product Liability – Occurrence, 6% Commercial Auto – Other Liability and 15% other liability lines.

The lines of business in this category contain a mixture of business considered “medium-tail” and “long-tail”. On an ITD basis through December 31, 2013, the distribution by net earned premium is: 84% long-tail, 14% medium-tail and 2% short-tail.

### **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 employment practices liability insurance, pension trust errors and omissions/fiduciary liability insurance, fidelity bonds and various financial institution professional liability coverages.

*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 insures large law firms and accounting firms and professional programs, as well as miscellaneous professional liability, including coverages for consultants, network security, securities broker-dealers, wholesalers, captive agents and managing general agents. The professional liability unit also provides coverage for environmental and design professionals, including coverages for architectural and engineering firms and construction products and pollution legal liability coverage for fixed sites.

Of the data included in this category, on an ITD basis through December 31, 2013, the distribution of business by net earned premium and by financial reporting line is: 50% Professional Liability, 36% Executive Assurance and 14% Healthcare.

On an ITD basis through December 31, 2013, the distribution by net earned premium and by U.S. annual statement line of business is: 86% Other Liability – Claims-Made, 13% Medical Malpractice – Claims-Made business and 1% other liability lines.

The lines of business in this category contain a mixture of business considered “medium-tail” and “long-tail”. On an ITD basis through December 31, 2013, the distribution by net earned premium is: 93% medium-tail and 7% long-tail.

## 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.

*Accident and Health.* Our insurance group's accident and health unit, which started writing business in 2010, provides accident, disability and medical plan insurance coverages for employer groups, medical plan members, students and other participant groups.

*Lenders products.* Our insurance group's lenders products unit provides collateral protection, debt cancellation and service contract reimbursement products to banks, credit unions, automotive dealerships and original equipment manufacturers. The unit also underwrites other specialty programs that pertain to automotive lending and leasing.

*Contract binding.* Our insurance group provides property and casualty coverage through a network of appointed agents to small and medium risks where it is cost effective to use technology to access this niche market.

Of the data included in this category, on an ITD basis through December 31, 2013, the distribution of business by net earned premium and by financial reporting line is: 70% Programs, 16% Lenders, 8% Travel and Accident and 4% other lines.

On an ITD basis through December 31, 2013, the distribution by net earned premium and by U.S. annual statement line of business is: 18% Other Liability – Occurrence, 20% Commercial Multi-Peril, 16% Commercial Auto – Other Liability, 14% Inland Marine, 12% Credit, 7% Workers' Compensation, and 13% Other Lines.

The lines of business in this category contain a mixture of business considered "short-tail," "medium-tail," and "long-tail." On an ITD basis through December 31, 2013, the distribution by net earned premium is: 27% short-tail, 35% medium-tail, and 38% long-tail business.

## **Reinsurance Segment**

Our reinsurance group data is categorized as 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, errors and omissions, directors'

and officers' 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, 2013, professional liability has comprised slightly less than 41% of the net earned premium.

The underlying business is written on either a claims-made or occurrence basis. On an ITD basis through December 31, 2013, about 80% of the net earned premium comes from quota shares. However, a significant part of the quota share business consists of proportional shares of excess business (such as umbrella quota shares). On an ITD basis through December 31, 2013, geographical origin of net earned premium is approximately 75% U.S.

The underlying business is approximately split evenly between medium and long-tail business, but some of the medium-tail business is written on a risk attaching basis and the delay in reported business for reinsurance lengthens the development. Overall, 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 reinsureds on a treaty basis. Treaties for this type of business 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. Our reinsurance group may also provide coverage for other perils on a case-by-case basis. Property catastrophe reinsurance provides coverage on an excess of loss basis when aggregate losses and loss adjustment expense from a single occurrence of a covered peril exceed the retention specified in the contract. The multiple claimant nature of property catastrophe reinsurance requires careful monitoring and control of cumulative aggregate exposure.

This is considered "short-tail" business.

### **Property Excluding Property Catastrophe**

Our reinsurance group's treaty reinsurance operations reinsure individual property risks of a ceding company. Property per risk treaty and quota share reinsurance contracts written by our treaty reinsurance group cover claims from individual insurance policies issued by reinsureds and include both personal lines and commercial property exposures (principally covering buildings, structures, equipment and contents). The primary perils in this business include fire, explosion, collapse, riot, vandalism, wind, tornado, flood and earthquake. Our reinsurance group's property facultative operations focus on commercial property risks on an excess of loss basis.

On an ITD basis through December 31, 2013, 23% of the net earned 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 energy, hull, cargo, specie, liability and transit, and aviation business, which includes coverages for airline and general aviation risks. Business written may also include space business, which includes coverages for satellite assembly, launch and operation for commercial space programs. 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, 2013, about 90% of net earned premium is quota share business. Over time, the mix of business has generally shifted away from airline business and more towards general aviation.

Through 2006, aviation business made up approximately 50% to 60% of this segment, but in underwriting years 2007 – 2013 combined, it has fallen to 20% of the net earned 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.** Pre-2011, this business is mostly U.S. business written on an excess-of-loss basis. On an ITD basis through December 31, 2013, this represents 9% of the overall Other Specialty net earned premium and from April 2012 includes premium in respect of the acquisition of Ariel Re’s Credit & Surety reinsurance operations.

**Accident and health catastrophe and risk.** Written on a quota share and excess of loss basis. On an ITD basis through December 31, 2013, this represents 24% of the overall Other Specialty net earned premium.

**Workers’ compensation catastrophe.** Almost all workers’ compensation catastrophe exposure arises from losses that require more than one employee being injured in a workplace accident. On an ITD basis through December 31, 2013, this represents 9% of the overall Other Specialty net earned premium.

**U.K. motor.** Written on a quota share basis and protected by an excess of loss program for severity claims. On an ITD basis through December 31, 2013, this represents 13% of the overall Other Specialty net earned premium.

**Trade credit and political risk.** Written on a quota share and excess of loss basis. On an ITD basis through December 31, 2013, this represents 27% of the overall Other Specialty net earned premium and from April 2012 includes premium in respect of the acquisition of Ariel Re’s Credit & Surety reinsurance operations.

**Terrorism.** Mostly written on an excess of loss basis. On an ITD basis through December 31, 2013, this represents 9% of the overall Other Specialty net earned premium.

Multi-peril crop. On an ITD basis through December 31, 2013, this represents 5% of the overall Other Specialty net earned premium.

The balance of the overall Other Specialty premium comes from a variety of other disparate lines of business. This segment is considered “short-tail” business.

### **Other Reinsurance**

Our reinsurance group also writes the following lines of business, which are aggregated into this class:

Casualty clash business. On an ITD basis through December 31, 2013, this represents 51% of the overall Other Reinsurance net earned premium.

Non-traditional business. In limited instances, we have written treaties providing insurers with risk management solutions that complement traditional reinsurance. On an ITD basis through December 31, 2013, this represents 49% of the overall Other Reinsurance net earned premium.

Through 2005, the majority of the premium in this segment consisted of non-traditional business, where the principal exposures were property catastrophe. From 2006, the premium has largely been casualty clash business. This category contains a mixture of “short-tail” and “long-tail” business.

In prior GLT filings, our mortgage and life (re)insurance business had been included within the Other Reinsurance category. Mortgage and life reserves are not typically subject to analysis using traditional triangular actuarial methodologies. As these lines have become more material, we have excluded the data associated with them from this GLT filing. ITD net earned premium through December 31, 2013 is \$67.6m and \$10.0m in respect of mortgage and life (re)insurance business respectively.

#### IV. OVERVIEW OF RESERVING METHODOLOGY

We are required by applicable insurance laws and regulations and GAAP to establish reserves for losses and LAE ("Loss Reserves") that arise from the business we underwrite. Loss Reserves for our insurance and reinsurance operations are balance sheet liabilities representing estimates of future amounts required to pay losses and LAE for insured or reinsured events which have occurred at or before the balance sheet date. Loss Reserves do not reflect contingency reserve allowances to account for future loss occurrences. Losses arising from future events will be estimated and recognized at the time the losses are incurred and could be substantial.

At December 31, 2013 and 2012, our Loss Reserves, net of unpaid losses and loss adjustment expenses recoverable, by type and by operating segment were as follows (all amounts in \$U.S. thousands, on a net basis):

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
<b>Insurance:</b>		
Case reserves	\$ 1,446,029	\$ 1,438,575
IBNR reserves	3,037,755	2,979,344
Total net reserves	<u>\$ 4,483,784</u>	<u>4,417,919</u>
<b>Reinsurance:</b>		
Case reserves.	\$ 751,249	\$ 781,894
Additional case reserves	113,331	195,033
IBNR reserves	1,728,082	1,709,376
Total net reserves	<u>\$ 2,592,662</u>	<u>\$ 2,686,303</u>
<b>Total:</b>		
Case reserves.	\$ 2,197,278	\$ 2,220,469
Additional case reserves	113,331	195,033
IBNR reserves	4,765,837	4,688,720
Total net reserves	<u>\$ 7,076,446</u>	<u>\$ 7,104,222</u>

The 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.

##### **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 the loss

experience 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, 2013 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, in addition to the expected loss method, in particular for Loss Reserves from more mature accident years (the year in which a loss occurred). 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 reported loss information is available, and is commonly applied when limited loss experience exists for a company.
- *Historical reported 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 reported losses (*i.e.*, the sum of cumulative historical loss payments plus outstanding case reserves) over discrete periods of time to estimate future losses. Historical reported 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 reported 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 reported loss data to project ultimate losses may be less reliable than other methods.

- *Historical paid loss development methods* – these methods, like historical reported 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 reported losses to estimate ultimate losses, they may be more reliable than the other methods that use reported losses in situations where there are significant changes in how reported 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 reported losses because cumulative loss payments take much longer to equal the expected ultimate losses than cumulative reported 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 reported loss development methods* – these methods take traditional historical paid and reported 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 reported 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 reported loss development methods.
- *Bornhuetter-Ferguson ("B-F") paid and reported loss methods* – these methods utilize actual paid and reported losses and expected patterns of paid and reported losses, taking the initial expected ultimate losses into account to determine an estimate of expected ultimate losses. The B-F paid and reported loss methods 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 reported B-F loss development methods and historical paid and reported 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 our insurance operations' Third Party Occurrence business is in high excess layers. As time passes, for a given accident year, additional weight is given to the paid and reported B-F loss development methods and historical paid and reported loss development methods in the reserving process. 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 a combination of company and 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 our insurance operations' Third Party Occurrence 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 reported B-F loss development methods and historical paid and reported 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 the initial reserving process for All Other business, consisting primarily of property and liability exposures which are primarily written for programs 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 reported B-F loss development methods and historical paid and reported 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 (casualty or property) and changes in pricing, loss trends, reinsurance structure and changes in the underlying business.

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.

### **Reinsurance Segment**

Loss Reserves for our reinsurance operations are comprised of (1) Case Reserves for claims reported, (2) Additional Case Reserves (“ACRs”) 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 ACRs, 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 ACRs 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 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 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.

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, 2013 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, the Workers' Compensation Catastrophe part of Other Specialty, Marine and Aviation and some exposures within Other Reinsurance, our reinsurance operations 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 quota share basis. As time passes, for a given underwriting year, additional weight is given to the paid and reported B-F loss development methods and historical paid and reported 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, Property Catastrophe, Other Specialty excluding Workers' Compensation Catastrophe and some exposures within Other Reinsurance, 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 reported B-F loss development methods and historical paid and reported 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, 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, 2013 as reported in the Arch consolidated financial statements in accordance with GAAP to the reserves for loss and loss expenses published in the triangles (all amounts in \$U.S. thousands, on a net basis).

Consolidated Net Unpaid Losses and ALAE per December 31, 2013 GLTs	\$ 6,410,695
ULAE Reserves	135,486
Excluded Business and Other Adjustments:	
Mortgage (re)insurance	7,199
Life reinsurance	6,637
Surety Insurance	78,354
Certain United Kingdom Insurance	443,400
Certain Denmark Reinsurance	1,448
Other Adjustments	(6,774)
Net Reserves for Losses and LAE per December 31, 2013 Consolidated Financial Statements	7,076,445

### ii) Reconciliation to Prior Triangles

The following tables reconcile the paid and reported loss and loss expenses published in the 2012 GLT Report with the amounts published in this report. As described in Section II of this report, fluctuations in currency exchange rates can cause material shifts in loss development. To eliminate such distortions, data in the exhibits has been restated using the year-end rate of exchange to USD. In addition, business commuted during 2013 has been excluded from the 2013 GLT Report. No other adjustments have been made to the prior data.

**INSURANCE – CONSOLIDATED TOTAL**

Data as of 12/31/2012 in \$U.S. thousands

	<u>Accident</u> <u>Year</u>	<u>2012 GLT</u>	<u>Currency</u> <u>Adjustment</u>	<u>2013 GLT</u>
<b>Paid Loss &amp; ALAE</b>	<b>2002</b>	77,820	0	77,820
	<b>2003</b>	434,769	0	434,769
	<b>2004</b>	659,649	25	659,674
	<b>2005</b>	719,293	345	719,638
	<b>2006</b>	599,206	741	599,947
	<b>2007</b>	693,578	-186	693,392
	<b>2008</b>	708,521	-156	708,365
	<b>2009</b>	529,255	866	530,121
	<b>2010</b>	377,754	-78	377,677
	<b>2011</b>	317,314	-236	317,078
	<b>2012</b>	131,131	1,289	132,421

<b>Reported Loss &amp; ALAE</b>	<b>2002</b>	84,763	0	84,763
	<b>2003</b>	478,733	0	478,733
	<b>2004</b>	690,331	26	690,357
	<b>2005</b>	778,639	660	779,299
	<b>2006</b>	649,301	1,882	651,182
	<b>2007</b>	786,053	145	786,199
	<b>2008</b>	839,513	-1,912	837,601
	<b>2009</b>	673,412	1,051	674,463
	<b>2010</b>	547,299	50	547,350
	<b>2011</b>	550,817	-46	550,771
	<b>2012</b>	310,516	1,238	311,753



**REINSURANCE – CONSOLIDATED TOTAL**

Data as of 12/31/2012 in \$U.S. thousands

	<u>U/W</u> <u>Year</u>	<u>2012 GLT</u>	<u>Currency</u> <u>Adjustment</u>	<u>Additional</u> <u>Commuta-</u> <u>tions</u>	<u>Other</u>	<u>2013 GLT</u>
<b>Paid Loss &amp; ALAE</b>	<b>2002</b>	456,556	-496	-598	0	455,462
	<b>2003</b>	452,869	-1,397	0	0	451,472
	<b>2004</b>	614,145	-1,355	-10,725	0	602,065
	<b>2005</b>	542,954	-898	0	0	542,057
	<b>2006</b>	369,721	759	0	0	370,481
	<b>2007</b>	334,871	1,287	0	0	336,158
	<b>2008</b>	519,582	1,544	0	0	521,126
	<b>2009</b>	211,014	-615	0	0	210,399
	<b>2010</b>	261,789	-14,433	0	-1,355	246,007
	<b>2011</b>	176,684	1,825	0	-58	178,450
	<b>2012</b>	60,656	689	8,034	0	69,379

<b>Reported Loss &amp; ALAE</b>	<b>2002</b>	490,791	-497	-598	104	489,695
	<b>2003</b>	490,300	-1,440	0	6	488,860
	<b>2004</b>	691,494	-67	-10,725	0	680,702
	<b>2005</b>	597,628	-398	0	0	597,230
	<b>2006</b>	429,509	1,631	0	0	431,140
	<b>2007</b>	393,333	2,023	0	0	395,356
	<b>2008</b>	649,130	2,694	0	0	651,824
	<b>2009</b>	301,975	880	0	-2	302,856
	<b>2010</b>	384,569	-17,694	0	-1,913	364,975
	<b>2011</b>	330,901	1,470	0	-58	332,313
	<b>2012</b>	221,695	656	8,062	-163	230,225

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

The following tables map 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		X		
Other – Excess WC		X		
Other – Alternative Markets		X		
Executive Assurance			X	
Healthcare			X	
Professional Liability			X	
Lenders				X
Programs				X
Travel and Accident				X
Other – A&H				X
Other – Contract Binding				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				
Property excl. Property Catastrophe			X			
Marine and Aviation				X		
Other Specialty					X	
Other						X

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**INSURANCE - CONSOLIDATED TOTAL**

**ACCIDENT YEAR TRIANGLE**

Paid Loss & ALAE	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>	<u>108</u>	<u>120</u>	<u>132</u>	<u>144</u>
2002	3,928	7,977	28,872	36,561	49,443	60,198	62,874	65,681	72,776	75,237	77,820	80,482
2003	57,000	131,028	186,778	239,308	289,618	328,593	352,055	396,379	420,320	434,769	442,720	
2004	89,075	229,881	328,028	414,692	475,185	554,029	595,272	641,159	659,674	676,012		
2005	82,270	322,587	416,958	518,441	590,752	637,381	688,262	719,638	749,208			
2006	93,711	228,857	349,677	454,696	511,034	570,751	599,947	626,287				
2007	107,801	279,705	434,783	528,534	600,391	693,392	743,835					
2008	131,380	320,686	475,664	597,642	708,365	781,570						
2009	118,665	307,529	434,197	530,121	628,050							
2010	107,411	262,581	377,677	485,263								
2011	121,727	317,078	459,761									
2012	132,421	377,403										
2013	165,113											

Reported Loss & ALAE	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>	<u>120</u>	<u>132</u>	<u>144</u>
	2002	9,300	16,849	42,867	50,865	60,236	69,231	71,912	73,342	79,391	81,849	84,763
2003	118,988	210,986	276,678	325,911	355,371	383,276	407,879	455,236	466,391	478,733	485,212	
2004	212,346	364,484	457,980	522,787	569,586	609,968	649,193	675,764	690,357	700,776		
2005	239,317	537,126	576,943	643,476	675,435	729,007	755,352	779,299	787,877			
2006	238,152	397,291	491,134	562,082	603,236	640,121	651,182	683,852				
2007	255,042	481,256	602,456	679,567	732,813	786,199	804,609					
2008	374,727	617,404	715,958	777,406	837,601	894,128						
2009	306,264	513,568	602,967	674,463	741,834							
2010	238,300	454,019	547,350	623,141								
2011	314,026	550,771	655,700									
2012	311,753	602,481										
2013	317,543											

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	701,013	351,879	180,302	186,345				
	2003	1,628,573	1,260,282	604,259	669,045				
	2004	1,954,293	1,850,915	964,423	995,622				
	2005	2,139,512	2,084,755	1,677,935	1,742,128				
	2006	2,367,729	2,311,718	910,005	1,002,444				
	2007	2,383,461	2,417,571	1,093,103	1,171,844				
	2008	2,192,010	2,256,650	1,210,585	1,356,196				
	2009	2,257,804	2,267,792	855,132	1,012,052				
	2010	2,125,789	2,160,761	717,459	940,057				
	2011	2,164,998	2,129,411	674,538	960,120				
	2012	2,311,265	2,240,233	554,681	915,802				
	2013	2,484,856	2,315,131	207,113	414,019				
	<b>All Years</b>	<b>24,711,302</b>	<b>23,647,098</b>	<b>9,649,534</b>	<b>11,365,673</b>	<b>3,850,195</b>	<b>437,001</b>	<b>15,652,868</b>	<b>66.2%</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	354,328	232,591	99,820	101,471				
	2003	507,025	410,346	161,540	183,833				
	2004	644,968	570,391	288,411	294,846				
	2005	795,586	800,499	928,727	954,252				
	2006	905,560	869,076	283,719	318,592				
	2007	866,005	881,951	349,268	367,235				
	2008	769,227	805,420	429,015	462,067				
	2009	770,305	777,887	227,082	270,218				
	2010	701,273	720,131	232,196	316,915				
	2011	680,773	691,801	214,777	304,420				
	2012	737,223	727,153	177,278	313,321				
	2013	706,393	686,103	42,000	96,476				
	<b>All Years</b>	<b>8,438,666</b>	<b>8,173,349</b>	<b>3,433,832</b>	<b>3,983,645</b>	<b>1,188,245</b>	<b>6,810</b>	<b>5,178,700</b>	<b>63.4%</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	346,685	119,288	80,482	84,875				
	2003	1,121,548	849,937	442,720	485,212				
	2004	1,309,325	1,280,524	676,012	700,776				
	2005	1,343,926	1,284,256	749,208	787,877				
	2006	1,462,169	1,442,642	626,287	683,852				
	2007	1,517,456	1,535,620	743,835	804,609				
	2008	1,422,783	1,451,230	781,570	894,128				
	2009	1,487,499	1,489,905	628,050	741,834				
	2010	1,424,515	1,440,630	485,263	623,141				
	2011	1,484,225	1,437,610	459,761	655,700				
	2012	1,574,042	1,513,080	377,403	602,481				
	2013	1,778,463	1,629,028	165,113	317,543				
	<b>All Years</b>	<b>16,272,636</b>	<b>15,473,749</b>	<b>6,215,702</b>	<b>7,382,028</b>	<b>2,661,950</b>	<b>430,191</b>	<b>10,474,169</b>	<b>67.7%</b>



**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**INSURANCE - PROPERTY, ENERGY, MARINE AND AVIATION**

**ACCIDENT YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	9	754	1,113	1,114	1,112	1,112	1,112	1,114	1,115	1,114	1,114	1,114
2003	4,229	7,500	13,640	15,298	16,115	16,893	17,081	17,759	18,320	18,325	18,563	
2004	13,495	66,376	100,712	109,127	113,036	114,836	116,129	117,265	116,210	116,848		
2005	21,273	179,405	205,448	230,641	249,284	249,704	250,615	251,567	250,491			
2006	22,986	75,903	105,372	127,155	139,994	145,504	144,851	143,716				
2007	42,505	105,465	156,297	169,755	176,111	192,355	191,483					
2008	50,491	128,040	190,597	215,131	244,443	246,363						
2009	40,003	123,982	151,037	158,207	167,052							
2010	30,369	70,131	85,581	103,971								
2011	34,148	95,670	137,860									
2012	27,753	104,302										
2013	36,893											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	1,181	1,326	1,129	1,114	1,112	1,112	1,112	1,114	1,115	1,114	1,114
2003	12,120	17,222	19,291	18,339	18,338	17,926	18,041	19,102	18,722	18,634	18,646	
2004	72,186	104,604	119,782	119,812	118,780	119,084	119,795	119,588	117,476	117,197		
2005	115,119	305,395	259,865	261,257	258,708	256,213	255,704	253,793	250,707			
2006	105,102	150,689	150,665	154,922	157,000	155,566	146,984	145,445				
2007	121,368	190,023	198,993	198,730	196,358	197,901	196,888					
2008	210,972	265,971	258,859	257,851	260,876	257,761						
2009	141,675	194,308	192,185	186,986	185,379							
2010	85,498	134,759	127,537	127,307								
2011	139,421	203,759	195,128									
2012	115,141	209,316										
2013	85,268											

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	70,809	23,606	4,257	4,257				
2003	208,821	151,090	27,828	27,911					
2004	347,114	279,051	216,746	217,096					
2005	472,184	428,889	907,800	908,892					
2006	736,949	651,838	236,205	238,001					
2007	756,541	760,481	336,848	344,566					
2008	707,399	720,642	439,373	455,377					
2009	724,516	723,599	259,106	293,761					
2010	625,676	661,344	191,270	222,179					
2011	592,107	592,196	227,294	315,240					
2012	568,656	594,632	196,960	391,060					
2013	532,359	561,429	56,393	130,748					
<b>All Years</b>	<b>6,343,132</b>	<b>6,148,797</b>	<b>3,100,081</b>	<b>3,549,089</b>	<b>358,283</b>	<b>38,274</b>	<b>3,945,646</b>	<b>64.2%</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	20,037	6,968	3,142	3,142				
2003	87,429	65,891	9,264	9,264					
2004	169,185	123,546	99,898	99,900					
2005	249,752	237,709	657,309	658,185					
2006	423,385	366,887	92,489	92,556					
2007	442,297	438,795	145,365	147,678					
2008	391,186	405,518	193,009	197,616					
2009	383,446	397,858	92,054	108,383					
2010	302,470	325,101	87,300	94,871					
2011	257,961	269,142	89,434	120,113					
2012	275,034	281,694	92,658	181,745					
2013	251,570	262,637	19,501	45,480					
<b>All Years</b>	<b>3,253,750</b>	<b>3,181,746</b>	<b>1,581,424</b>	<b>1,758,933</b>	<b>139,045</b>	<b>0</b>	<b>1,897,977</b>	<b>59.7%</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	50,772	16,638	1,114	1,114				
2003	121,393	85,199	18,563	18,646					
2004	177,929	155,505	116,848	117,197					
2005	222,433	191,181	250,491	250,707					
2006	313,564	284,951	143,716	145,445					
2007	314,244	321,686	191,483	196,888					
2008	316,213	315,124	246,363	257,761					
2009	341,070	325,741	167,052	185,379					
2010	323,206	336,243	103,971	127,307					
2011	334,146	323,054	137,860	195,128					
2012	293,622	312,938	104,302	209,316					
2013	280,788	298,791	36,893	85,268					
<b>All Years</b>	<b>3,089,382</b>	<b>2,967,051</b>	<b>1,518,657</b>	<b>1,790,156</b>	<b>219,239</b>	<b>38,274</b>	<b>2,047,668</b>	<b>69.0%</b>	

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**INSURANCE - THIRD PARTY OCCURRENCE BUSINESS**

**ACCIDENT YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	502	1,941	5,371	8,170	16,868	22,747	25,289	26,342	29,797	30,165	30,447	30,521
2003	4,078	18,490	33,259	58,214	82,748	102,258	118,176	139,003	155,265	161,737	166,543	
2004	4,582	16,089	32,630	65,344	97,729	144,513	172,666	194,411	207,055	220,995		
2005	5,760	19,996	42,862	81,975	120,759	143,662	172,693	190,287	207,238			
2006	7,669	22,790	44,097	71,324	95,644	122,513	142,876	157,212				
2007	6,235	29,310	57,956	92,289	128,024	168,745	197,724					
2008	6,251	21,646	50,034	85,681	119,550	164,998						
2009	5,684	21,666	46,941	82,629	122,572							
2010	6,768	27,000	52,432	83,839								
2011	6,315	25,288	46,613									
2012	7,183	32,531										
2013	7,250											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	1,146	5,377	10,145	16,816	23,800	27,489	31,335	30,720	31,398	31,663	31,773
2003	13,158	33,969	67,510	93,801	111,766	126,637	142,120	163,475	171,745	175,500	177,356	
2004	11,392	37,042	67,462	108,475	144,442	173,386	196,630	216,068	228,136	237,800		
2005	20,026	59,268	96,401	135,947	167,408	188,274	204,391	226,066	238,352			
2006	21,307	52,047	82,202	112,187	131,008	151,432	164,217	176,630				
2007	21,856	72,589	110,969	152,171	183,258	219,604	234,945					
2008	32,726	69,203	115,825	149,499	183,711	216,853						
2009	21,065	53,631	92,238	135,787	171,728							
2010	20,608	64,113	103,384	136,550								
2011	22,763	62,071	107,246									
2012	26,919	69,131										
2013	27,939											

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	177,976	53,032	47,377	48,256				
	2003	525,227	383,966	258,219	272,370				
	2004	637,855	593,930	340,691	362,548				
	2005	638,508	648,083	331,665	383,649				
	2006	602,507	631,197	229,995	254,555				
	2007	618,035	618,992	306,235	352,369				
	2008	552,600	594,948	300,097	355,812				
	2009	548,490	569,073	206,394	265,947				
	2010	540,746	533,357	201,098	308,156				
	2011	614,353	593,353	139,371	249,288				
	2012	634,377	631,555	104,758	181,306				
	2013	695,242	647,993	22,667	65,416				
	<b>All Years</b>	<b>6,785,917</b>	<b>6,499,478</b>	<b>2,488,566</b>	<b>3,099,673</b>	<b>1,666,054</b>	<b>166,671</b>	<b>4,932,398</b>	<b>75.9%</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	78,514	25,637	16,856	16,827				
	2003	184,218	153,457	91,676	95,015				
	2004	225,850	210,727	119,696	124,748				
	2005	221,181	224,108	124,427	145,297				
	2006	210,712	220,230	72,783	77,925				
	2007	192,935	202,633	108,512	117,424				
	2008	185,037	192,339	135,099	138,959				
	2009	177,986	181,863	83,821	94,219				
	2010	205,066	194,010	117,259	171,606				
	2011	247,339	238,406	92,758	142,042				
	2012	260,201	256,568	72,226	112,176				
	2013	239,723	232,443	15,417	37,477				
	<b>All Years</b>	<b>2,428,761</b>	<b>2,332,422</b>	<b>1,050,530</b>	<b>1,273,715</b>	<b>516,957</b>	<b>3,825</b>	<b>1,794,497</b>	<b>76.9%</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	99,462	27,395	30,521	31,429				
	2003	341,009	230,508	166,543	177,356				
	2004	412,006	383,202	220,995	237,800				
	2005	417,327	423,974	207,238	238,352				
	2006	391,795	410,967	157,212	176,630				
	2007	425,100	416,359	197,724	234,945				
	2008	367,563	402,609	164,998	216,853				
	2009	370,504	387,210	122,572	171,728				
	2010	335,680	339,347	83,839	136,550				
	2011	367,014	354,946	46,613	107,246				
	2012	374,176	374,987	32,531	69,131				
	2013	455,519	415,550	7,250	27,939				
	<b>All Years</b>	<b>4,357,156</b>	<b>4,167,056</b>	<b>1,438,036</b>	<b>1,825,958</b>	<b>1,149,097</b>	<b>162,846</b>	<b>3,137,901</b>	<b>75.3%</b>

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**INSURANCE - THIRD PARTY CLAIMS-MADE BUSINESS**

**ACCIDENT YEAR TRIANGLE**

Paid Loss & ALAE	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>	<u>108</u>	<u>120</u>	<u>132</u>	<u>144</u>
2002	2	297	618	1,110	1,195	1,210	1,201	2,734	2,647	2,691	2,813	2,897
2003	1,074	6,761	9,523	11,930	16,886	20,290	24,445	28,709	30,604	30,960	31,541	
2004	6,777	24,740	45,354	65,392	74,975	91,294	98,856	116,884	119,148	120,263		
2005	671	28,353	52,899	68,222	76,215	84,282	98,262	108,806	121,689			
2006	6,306	39,528	89,406	131,082	146,852	167,057	174,692	179,019				
2007	7,075	43,783	90,535	118,708	137,719	165,587	183,159					
2008	13,881	54,919	102,546	138,144	165,328	187,877						
2009	7,373	39,684	76,637	107,998	143,341							
2010	9,614	52,127	91,606	116,018								
2011	10,203	52,660	97,645									
2012	11,576	46,132										
2013	12,819											

Reported Loss & ALAE	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>	<u>120</u>	<u>132</u>	<u>144</u>
	2002	80	638	3,563	1,572	1,303	2,867	3,094	5,406	5,355	5,355	5,540
2003	7,861	18,791	23,366	30,305	33,607	37,591	47,195	49,756	50,190	50,552	51,413	
2004	28,035	58,547	82,982	95,830	97,678	106,654	118,950	122,654	123,921	123,951		
2005	24,942	53,155	79,360	86,153	86,872	113,908	122,375	125,903	125,678			
2006	31,436	79,307	123,686	151,985	175,574	191,224	195,385	211,673				
2007	32,303	77,990	128,806	161,277	181,270	193,211	196,283					
2008	42,224	127,493	167,891	182,058	197,062	222,220						
2009	33,588	89,741	118,922	141,069	170,473							
2010	40,308	97,542	128,920	148,389								
2011	38,405	91,666	125,164									
2012	36,004	71,013										
2013	44,875											

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	136,024	43,746	3,590	3,703				
	2003	433,612	314,217	44,739	80,428				
	2004	549,324	527,439	153,374	157,663				
	2005	590,326	562,175	189,168	195,842				
	2006	622,809	616,031	251,811	313,597				
	2007	587,499	596,948	263,957	283,330				
	2008	528,101	539,405	278,405	336,832				
	2009	550,345	542,104	190,161	233,818				
	2010	504,138	519,468	141,838	196,764				
	2011	468,531	484,216	128,580	165,795				
	2012	524,957	508,703	53,307	83,750				
	2013	555,647	537,566	15,637	52,659				
	<b>All Years</b>	<b>6,051,313</b>	<b>5,792,016</b>	<b>1,714,568</b>	<b>2,104,180</b>	<b>1,290,086</b>	<b>120,912</b>	<b>3,515,178</b>	<b>60.7%</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	42,484	14,379	693	693				
	2003	175,569	117,998	13,198	29,015				
	2004	194,439	187,037	33,112	33,712				
	2005	206,850	204,190	67,479	70,164				
	2006	187,930	188,126	72,792	101,923				
	2007	190,371	189,723	80,798	87,046				
	2008	175,495	180,045	90,528	114,612				
	2009	199,917	188,020	46,820	63,344				
	2010	183,755	191,058	25,821	48,375				
	2011	162,040	172,111	30,935	40,632				
	2012	171,857	171,085	7,175	12,737				
	2013	175,378	170,898	2,818	7,784				
	<b>All Years</b>	<b>2,066,085</b>	<b>1,974,668</b>	<b>472,167</b>	<b>610,039</b>	<b>506,380</b>	<b>0</b>	<b>1,116,419</b>	<b>56.5%</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	93,540	29,368	2,897	3,010				
	2003	258,043	196,219	31,541	51,413				
	2004	354,885	340,402	120,263	123,951				
	2005	383,476	357,985	121,689	125,678				
	2006	434,879	427,905	179,019	211,673				
	2007	397,128	407,224	183,159	196,283				
	2008	352,605	359,359	187,877	222,220				
	2009	350,428	354,083	143,341	170,473				
	2010	320,383	328,410	116,018	148,389				
	2011	306,491	312,105	97,645	125,164				
	2012	353,101	337,618	46,132	71,013				
	2013	380,269	366,668	12,819	44,875				
	<b>All Years</b>	<b>3,985,228</b>	<b>3,817,348</b>	<b>1,242,400</b>	<b>1,494,142</b>	<b>783,706</b>	<b>120,912</b>	<b>2,398,760</b>	<b>62.8%</b>

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**INSURANCE - ALL OTHER**

**ACCIDENT YEAR TRIANGLE**

Paid Loss & ALAE	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>	<u>108</u>	<u>120</u>	<u>132</u>	<u>144</u>
2002	3,415	4,985	21,770	26,167	30,267	35,129	35,271	35,492	39,218	41,267	43,445	45,949
2003	47,619	98,277	130,356	153,866	173,869	189,152	192,352	210,908	216,131	223,748	226,072	
2004	64,221	122,675	149,332	174,829	189,444	203,386	207,621	212,599	217,262	217,906		
2005	54,565	94,833	115,749	137,603	144,493	159,734	166,693	168,978	169,790			
2006	56,750	90,636	110,803	125,134	128,545	135,676	137,529	146,339				
2007	51,985	101,146	129,995	147,782	158,536	166,706	171,470					
2008	60,757	116,081	132,487	158,686	179,044	182,331						
2009	65,606	122,196	159,581	181,287	195,084							
2010	60,659	113,323	148,057	181,437								
2011	71,061	143,460	177,643									
2012	85,909	194,437										
2013	108,151											

Reported Loss & ALAE	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>	<u>120</u>	<u>132</u>	<u>144</u>
	2002	6,893	9,507	28,030	31,364	34,021	37,764	36,371	36,102	41,523	43,717	46,335
2003	85,848	141,004	166,510	183,466	191,661	201,123	200,524	222,903	225,735	234,046	237,797	
2004	100,733	164,291	187,753	198,669	208,686	210,844	213,818	217,453	220,823	221,829		
2005	79,231	119,307	141,317	160,120	162,447	170,611	172,881	173,537	173,140			
2006	80,308	115,247	134,581	142,988	139,654	141,899	144,597	150,105				
2007	79,515	140,653	163,687	167,390	171,926	175,482	176,493					
2008	88,804	154,737	173,383	187,998	195,952	197,294						
2009	109,937	175,889	199,621	210,621	214,254							
2010	91,887	157,605	187,509	210,895								
2011	113,438	193,275	228,162									
2012	133,690	253,022										
2013	159,460											

ACGL GLOBAL LOSS TRIANGLES  
ITD Accident Year Exhibit  
Data as of 12/31/2013 in \$US thousands

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	316,204	231,495	125,078	130,130				
	2003	460,913	411,010	273,474	288,336				
	2004	420,000	450,496	253,612	258,315				
	2005	438,494	445,608	249,302	253,746				
	2006	405,464	412,652	191,994	196,292				
	2007	421,386	441,151	186,062	191,578				
	2008	403,910	401,656	192,710	208,174				
	2009	434,453	433,016	199,471	218,526				
	2010	455,229	446,592	183,252	212,958				
	2011	490,007	459,646	179,294	229,796				
	2012	583,275	505,344	199,656	259,685				
	2013	701,609	568,143	112,416	165,195				
	<b>All Years</b>	<b>5,530,941</b>	<b>5,206,808</b>	<b>2,346,320</b>	<b>2,612,730</b>	<b>535,772</b>	<b>111,144</b>	<b>3,259,646</b>	<b>62.6%</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	79,129	80,809				
	2003	59,810	73,000	47,402	50,539				
	2004	55,494	49,081	35,706	36,486				
	2005	117,803	134,492	79,512	80,607				
	2006	83,533	93,833	45,655	46,187				
	2007	40,402	50,800	14,593	15,086				
	2008	17,509	27,518	10,379	10,881				
	2009	8,956	10,146	4,387	4,272				
	2010	9,983	9,963	1,816	2,063				
	2011	13,434	12,142	1,650	1,633				
	2012	30,132	17,807	5,219	6,663				
	2013	39,722	20,125	4,265	5,734				
	<b>All Years</b>	<b>690,071</b>	<b>684,514</b>	<b>329,711</b>	<b>340,959</b>	<b>25,863</b>	<b>2,985</b>	<b>369,807</b>	<b>54.0%</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	102,911	45,888	45,949	49,321				
	2003	401,103	338,010	226,072	237,797				
	2004	364,506	401,414	217,906	221,829				
	2005	320,690	311,116	169,790	173,140				
	2006	321,931	318,819	146,339	150,105				
	2007	380,983	390,351	171,470	176,493				
	2008	386,401	374,137	182,331	197,294				
	2009	425,496	422,870	195,084	214,254				
	2010	445,246	436,629	181,437	210,895				
	2011	476,573	447,504	177,643	228,162				
	2012	553,143	487,537	194,437	253,022				
	2013	661,886	548,018	108,151	159,460				
	<b>All Years</b>	<b>4,840,870</b>	<b>4,522,294</b>	<b>2,016,609</b>	<b>2,271,771</b>	<b>509,909</b>	<b>108,159</b>	<b>2,889,839</b>	<b>63.9%</b>



Accident Year Basis

GROSS	Paid Loss & ALAE			Reported Loss & ALAE			
	<u>Accident Year</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>
	2004	128,452	155	128,606	128,452	155	128,606
	2005	715,446	3,944	719,389	716,319	3,944	720,263
	2008	151,013	1,731	152,744	153,289	1,734	155,023
	2010	10,876	0	10,876	11,277	0	11,277
	2011	60,288	728	61,016	90,879	728	91,607
	2012	61,756	11,532	73,288	170,724	12,527	183,251
	2013	0	0	0	0	0	0
	<b>All Acc Years</b>	<b>1,127,830</b>	<b>18,089</b>	<b>1,145,920</b>	<b>1,270,939</b>	<b>19,087</b>	<b>1,290,026</b>
CEDED	<u>Accident Year</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>
	2004	76,740	19	76,758	76,740	19	76,758
	2005	580,532	1,935	582,467	581,390	1,935	583,325
	2008	80,543	35	80,578	82,395	35	82,430
	2010	3,022	0	3,022	3,285	0	3,285
	2011	18,227	3	18,230	33,964	3	33,967
	2012	35,279	77	35,356	91,926	77	92,004
	2013	0	0	0	0	0	0
	<b>All Acc Years</b>	<b>794,343</b>	<b>2,069</b>	<b>796,412</b>	<b>869,699</b>	<b>2,069</b>	<b>871,768</b>
NET	<u>Accident Year</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>	<u>Property Segment*</u>	<u>"All Other" Segment</u>	<u>Total</u>
	2004	51,712	136	51,848	51,712	136	51,848
	2005	134,914	2,009	136,922	134,929	2,009	136,938
	2008	70,469	1,696	72,166	70,893	1,699	72,593
	2010	7,854	0	7,854	7,992	0	7,992
	2011	42,061	725	42,786	56,915	725	57,640
	2012	26,476	11,455	37,931	78,798	12,450	91,247
	2013	0	0	0	0	0	0
	<b>All Acc Years</b>	<b>333,487</b>	<b>16,020</b>	<b>349,508</b>	<b>401,240</b>	<b>17,019</b>	<b>418,258</b>

Note:

\* Refers to the Property, Energy, Marine and Aviation Insurance segment

Specific Accident Year 2004 events include: Charley, Frances, Ivan and Jeanne

Specific Accident Year 2005 events include: Katrina, Rita and Wilma

Specific Accident Year 2008 events include: Gustav and Ike

Specific Accident Year 2010 events include: Chilean and New Zealand Darfield Earthquakes

Specific Accident Year 2011 events include: Severe flooding in Thailand and Queensland, Australia, the Japanese Earthquake and Tsunami, the New Zealand Lyttelton Earthquake and various U.S. wind/rain events

Specific Accident Year 2012 events include: Sandy

ACGL GLOBAL LOSS TRIANGLES  
 Development Triangles - Net Basis  
 Data as of 12/31/2013 in \$US thousands

REINSURANCE - CONSOLIDATED TOTAL

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	28,359	123,467	196,756	269,172	329,601	370,783	398,465	425,972	444,553	450,630	455,461	461,252
2003	43,538	154,606	230,766	291,767	349,764	380,550	403,266	424,278	442,230	451,472	458,300	
2004	91,137	222,182	317,033	394,630	463,970	512,855	559,289	590,700	602,065	617,011		
2005	56,442	185,017	306,710	394,034	450,957	483,577	519,762	542,057	558,004			
2006	30,559	120,876	192,661	263,190	305,859	353,072	370,481	396,892				
2007	33,054	104,438	180,857	233,058	300,527	336,158	365,151					
2008	92,702	274,047	393,421	464,897	521,126	584,844						
2009	24,845	106,817	167,355	210,399	239,562							
2010	13,129	159,709	246,001	299,534								
2011	51,154	178,451	304,491									
2012	69,379	250,939										
2013	49,587											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	121,739	242,974	334,477	407,676	446,205	470,551	478,823	477,909	480,935	476,830	489,799
2003	110,449	259,943	337,105	408,605	436,777	454,651	465,648	480,887	483,975	488,866	489,157	
2004	149,155	411,944	507,056	587,398	633,654	655,250	665,051	669,880	680,702	683,201		
2005	200,170	368,366	457,025	517,418	543,048	569,953	591,157	597,230	600,990			
2006	77,807	208,932	300,044	360,598	384,667	423,408	431,140	445,550				
2007	84,309	187,966	305,553	342,234	375,593	395,356	409,775					
2008	207,563	505,983	590,159	619,962	651,824	683,819						
2009	83,021	221,964	277,242	302,854	307,152							
2010	87,301	313,528	364,963	373,921								
2011	186,693	332,313	432,919									
2012	230,251	393,083										
2013	124,577											

REINSURANCE - CONSOLIDATED TOTAL

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	1,161,903	1,161,903	474,296	508,921				
	2003	1,458,968	1,458,968	472,036	504,293				
	2004	1,502,638	1,502,637	718,887	787,026				
	2005	1,427,047	1,426,926	739,041	784,129				
	2006	1,479,893	1,479,890	484,013	541,035				
	2007	1,390,023	1,389,993	458,698	510,783				
	2008	1,122,308	1,122,268	603,644	703,022				
	2009	985,892	985,082	240,837	309,732				
	2010	881,194	880,085	357,164	447,758				
	2011	1,127,212	1,122,012	306,280	448,594				
	2012	1,078,076	1,104,249	263,151	410,091				
	2013	1,201,150	681,316	50,142	127,854				
	<b>All Years</b>	<b>14,816,304</b>	<b>14,315,328</b>	<b>5,168,188</b>	<b>6,083,237</b>	<b>1,762,231</b>	<b>21,236</b>	<b>7,866,704</b>	<b>55.0%</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	29,049	29,088	13,044	13,083				
	2003	39,590	38,932	13,736	15,152				
	2004	71,238	71,298	101,876	103,825				
	2005	95,152	95,689	181,037	183,139				
	2006	349,958	349,971	87,121	95,485				
	2007	321,406	321,409	93,547	101,008				
	2008	19,566	19,562	18,800	19,202				
	2009	29,052	29,052	1,275	2,579				
	2010	26,719	26,656	57,630	73,837				
	2011	49,432	49,375	1,789	15,674				
	2012	50,815	57,640	12,212	17,176				
	2013	78,144	54,812	555	3,276				
	<b>All Years</b>	<b>1,160,121</b>	<b>1,143,483</b>	<b>582,621</b>	<b>643,438</b>	<b>34,043</b>	<b>0</b>	<b>677,481</b>	<b>59.2%</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	1,132,854	1,132,816	461,252	495,838				
	2003	1,419,378	1,420,036	458,300	489,141				
	2004	1,431,400	1,431,339	617,011	683,201				
	2005	1,331,895	1,331,238	558,004	600,990				
	2006	1,129,936	1,129,919	396,892	445,550				
	2007	1,068,617	1,068,584	365,151	409,775				
	2008	1,102,742	1,102,706	584,844	683,819				
	2009	956,840	956,030	239,562	307,153				
	2010	854,475	853,429	299,534	373,921				
	2011	1,077,780	1,072,637	304,491	432,919				
	2012	1,027,261	1,046,609	250,939	392,915				
	2013	1,123,005	626,504	49,587	124,577				
	<b>All Years</b>	<b>13,656,183</b>	<b>13,171,845</b>	<b>4,585,567</b>	<b>5,439,799</b>	<b>1,728,188</b>	<b>21,236</b>	<b>7,189,223</b>	<b>54.6%</b>

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**REINSURANCE - CASUALTY**

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	8,856	28,889	46,145	79,994	121,531	149,679	173,382	195,176	211,746	216,816	220,932	226,699
2003	4,417	19,867	35,777	66,606	108,149	132,998	151,889	170,744	187,638	196,351	202,321	
2004	3,153	28,932	56,549	98,823	145,092	183,695	225,273	253,341	263,133	277,552		
2005	1,595	20,406	45,928	75,768	106,103	128,998	156,045	173,854	189,388			
2006	2,001	21,184	42,125	76,343	102,591	141,362	152,864	174,514				
2007	115	12,265	34,870	69,085	121,846	148,406	173,585					
2008	-533	10,738	27,205	44,003	63,510	100,446						
2009	-272	9,118	28,238	50,587	71,360							
2010	-7,094	2,589	12,637	23,125								
2011	-166	3,665	10,927									
2012	174	5,102										
2013	831											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	25,900	64,583	109,975	158,956	195,000	222,530	233,271	235,633	237,534	234,210	250,308
2003	13,214	50,308	90,481	139,232	168,687	188,722	202,106	217,604	222,101	228,043	225,818	
2004	19,544	133,132	157,367	233,486	279,121	305,477	316,570	323,809	334,284	337,415		
2005	43,703	46,165	91,997	137,313	162,264	188,179	207,536	215,079	221,747			
2006	14,550	50,800	86,608	133,557	157,559	196,614	203,071	216,561				
2007	12,023	34,355	101,402	144,934	174,737	194,958	209,655					
2008	6,462	58,933	91,725	115,206	139,842	170,993						
2009	18,045	52,568	81,966	103,441	113,671							
2010	1,881	20,940	42,629	53,067								
2011	5,115	19,533	32,407									
2012	5,148	21,798										
2013	10,260											

REINSURANCE - CASUALTY

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	464,122	464,122	235,208	265,787				
	2003	728,074	728,074	205,435	228,950				
	2004	849,013	849,012	285,381	345,315				
	2005	707,658	707,538	215,899	248,439				
	2006	505,297	505,294	186,631	235,275				
	2007	457,747	457,710	195,461	236,848				
	2008	315,015	314,974	112,446	182,993				
	2009	265,448	264,638	71,360	113,671				
	2010	179,385	178,745	23,125	53,067				
	2011	188,813	186,994	10,927	32,407				
	2012	202,322	182,195	5,102	21,798				
	2013	258,357	120,708	831	10,260				
	<b>All Years</b>	<b>5,121,250</b>	<b>4,960,004</b>	<b>1,547,806</b>	<b>1,974,809</b>	<b>1,134,577</b>	<b>15,152</b>	<b>3,124,539</b>	<b>63.0%</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	9,451	9,490	8,509	8,516				
	2003	6,049	6,049	3,114	3,132				
	2004	6,708	6,708	7,829	7,899				
	2005	14,767	14,767	26,512	26,692				
	2006	8,547	8,547	12,117	18,714				
	2007	7,085	7,085	21,876	27,193				
	2008	3,497	3,497	12,000	12,000				
	2009	112	112	0	0				
	2010	104	104	0	0				
	2011	0	0	0	0				
	2012	0	0	0	0				
	2013	2	2	0	0				
	<b>All Years</b>	<b>56,322</b>	<b>56,360</b>	<b>91,957</b>	<b>104,145</b>	<b>0</b>	<b>0</b>	<b>104,145</b>	<b>184.8%</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	454,671	454,632	226,699	257,271				
	2003	722,025	722,025	202,321	225,818				
	2004	842,305	842,304	277,552	337,415				
	2005	692,891	692,771	189,388	221,747				
	2006	496,751	496,747	174,514	216,561				
	2007	450,662	450,625	173,585	209,655				
	2008	311,518	311,478	100,446	170,993				
	2009	265,336	264,527	71,360	113,671				
	2010	179,281	178,641	23,125	53,067				
	2011	188,813	186,994	10,927	32,407				
	2012	202,322	182,195	5,102	21,798				
	2013	258,355	120,706	831	10,260				
	<b>All Years</b>	<b>5,064,928</b>	<b>4,903,643</b>	<b>1,455,849</b>	<b>1,870,664</b>	<b>1,134,577</b>	<b>15,152</b>	<b>3,020,394</b>	<b>61.6%</b>

ACGL GLOBAL LOSS TRIANGLES  
 Development Triangles - Net Basis  
 Data as of 12/31/2013 in \$US thousands

REINSURANCE - PROPERTY CATASTROPHE

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	8,215	19,786	24,288	25,773	26,238	26,504	26,669	26,678	26,785	26,820	26,835	26,836
2003	9,316	25,081	27,399	27,753	27,731	28,359	28,502	28,790	28,816	28,816	28,816	
2004	27,753	52,525	61,222	61,612	61,472	61,321	61,329	61,242	61,287	61,252		
2005	26,771	45,191	71,388	78,396	83,205	84,722	85,267	85,681	86,783			
2006	6,586	11,328	13,598	14,410	14,628	14,693	14,760	14,777				
2007	10,954	21,486	26,342	26,762	27,177	28,833	29,260					
2008	50,193	84,581	95,897	104,443	118,400	126,324						
2009	2,743	8,944	16,087	20,027	21,647							
2010	5,175	70,333	83,480	111,303								
2011	13,331	34,129	46,095									
2012	25,673	73,916										
2013	8,687											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	38,076	36,048	34,040	32,656	30,017	29,128	28,304	27,399	27,324	27,350	27,331
2003	36,120	34,414	30,196	30,188	29,609	28,738	28,758	28,968	28,973	28,851	28,851	
2004	48,477	68,709	70,570	65,287	63,710	62,012	61,828	61,824	61,412	61,369		
2005	53,665	103,055	101,953	97,234	92,937	93,306	90,727	89,476	89,071			
2006	11,168	18,371	17,298	15,448	15,099	14,960	14,995	14,876				
2007	25,919	28,481	31,274	28,501	28,689	30,792	30,090					
2008	84,753	115,366	126,388	135,074	136,494	132,726						
2009	8,940	29,160	25,291	24,793	24,586							
2010	45,885	134,871	138,839	133,239								
2011	82,953	79,841	76,737									
2012	103,030	115,956										
2013	30,448											

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	118,138	118,138	26,836	27,320				
	2003	112,152	112,152	28,816	28,835				
	2004	115,515	115,515	79,806	80,043				
	2005	112,889	112,889	134,266	136,752				
	2006	275,194	275,194	20,191	20,377				
	2007	344,095	344,102	43,681	44,832				
	2008	230,421	230,421	126,324	132,726				
	2009	242,822	242,822	21,647	24,586				
	2010	215,991	215,991	163,786	201,821				
	2011	254,199	254,197	46,095	76,737				
	2012	299,135	298,950	76,737	118,999				
	2013	258,853	185,545	9,116	32,134				
	<b>All Years</b>	<b>2,579,404</b>	<b>2,505,916</b>	<b>777,300</b>	<b>925,162</b>	<b>63,046</b>	<b>595</b>	<b>988,803</b>	<b>39.5%</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	575	575	0	0				
	2003	3,837	3,837	0	0				
	2004	12,648	12,649	18,553	18,674				
	2005	19,773	19,773	47,483	47,680				
	2006	138,204	138,204	5,414	5,501				
	2007	144,671	144,671	14,421	14,742				
	2008	0	0	0	0				
	2009	2,500	2,500	0	0				
	2010	14,150	14,150	52,484	68,581				
	2011	12,379	12,379	0	0				
	2012	23,051	23,051	2,821	3,043				
	2013	47,607	38,581	429	1,687				
	<b>All Years</b>	<b>419,395</b>	<b>410,369</b>	<b>141,605</b>	<b>159,908</b>	<b>6,331</b>	<b>0</b>	<b>166,239</b>	<b>40.5%</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	117,563	117,563	26,836	27,320				
	2003	108,315	108,315	28,816	28,835				
	2004	102,866	102,866	61,252	61,369				
	2005	93,116	93,116	86,783	89,071				
	2006	136,990	136,990	14,777	14,876				
	2007	199,425	199,431	29,260	30,090				
	2008	230,421	230,421	126,324	132,726				
	2009	240,322	240,322	21,647	24,586				
	2010	201,842	201,842	111,303	133,239				
	2011	241,820	241,818	46,095	76,737				
	2012	276,084	275,899	73,916	115,956				
	2013	211,246	146,965	8,687	30,448				
	<b>All Years</b>	<b>2,160,009</b>	<b>2,095,547</b>	<b>635,695</b>	<b>765,254</b>	<b>56,715</b>	<b>595</b>	<b>822,564</b>	<b>39.3%</b>

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**REINSURANCE - OTHER PROPERTY**

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	5,566	37,229	58,396	75,329	82,509	84,960	85,937	88,240	88,279	88,819	89,211	89,305
2003	23,785	72,870	100,838	119,186	128,145	131,809	134,293	135,228	135,826	136,506	136,859	
2004	57,860	103,362	125,362	145,392	151,859	158,785	160,905	161,379	162,028	162,369		
2005	21,769	66,821	99,812	119,339	131,701	134,875	140,393	143,035	141,747			
2006	20,900	68,740	97,390	119,297	128,187	131,808	134,718	137,120				
2007	20,389	53,637	72,347	79,096	86,177	89,117	90,225					
2008	39,980	134,693	177,286	194,504	201,166	206,523						
2009	20,003	64,724	91,588	104,789	110,243							
2010	14,901	53,638	96,813	104,203								
2011	27,118	71,184	106,985									
2012	13,431	53,517										
2013	17,531											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	29,477	72,043	92,685	90,501	92,690	91,706	90,768	91,949	91,294	91,292	90,360
2003	44,232	114,210	124,717	140,531	138,907	139,000	138,533	138,939	137,930	137,918	137,917	
2004	59,395	123,342	154,522	162,695	163,710	164,735	164,475	164,207	164,556	163,941		
2005	35,394	106,688	128,918	140,073	143,346	143,862	147,359	147,414	147,166			
2006	45,124	104,756	134,273	141,236	139,558	138,516	138,805	138,747				
2007	38,441	80,710	91,370	90,148	94,040	92,000	92,364					
2008	80,108	181,681	206,753	210,076	212,730	213,608						
2009	51,625	106,294	125,815	131,540	127,844							
2010	30,285	98,203	112,403	111,718								
2011	72,161	105,044	119,082									
2012	54,320	85,868										
2013	38,932											



REINSURANCE - OTHER PROPERTY

GROSS	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>		<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>Ultimate ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		266,946	266,946	92,572	93,178				
2003		320,414	320,414	144,273	145,317				
2004		266,420	266,420	210,243	212,015				
2005		333,309	333,309	201,483	208,113				
2006		443,767	443,767	194,285	196,643				
2007		344,729	344,729	119,681	122,414				
2008		402,571	402,571	207,097	214,193				
2009		313,533	313,533	111,428	130,331				
2010		244,968	244,867	106,789	114,364				
2011		243,188	243,004	108,738	121,892				
2012		254,069	237,713	54,689	87,565				
2013		235,693	131,027	17,594	40,305				
<b>All Years</b>		<b>3,669,606</b>	<b>3,548,299</b>	<b>1,568,874</b>	<b>1,686,332</b>	<b>139,976</b>	<b>3,281</b>	<b>1,829,589</b>	<b>51.6%</b>

CEDED	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>		<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>Ultimate ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		13,464	13,464	3,267	3,300				
2003		15,626	15,626	7,414	7,399				
2004		26,387	26,387	47,874	48,074				
2005		29,051	29,051	59,736	60,947				
2006		159,152	159,152	57,165	57,896				
2007		112,933	112,933	29,457	30,051				
2008		11,856	11,856	574	585				
2009		13,022	13,022	1,185	2,487				
2010		11,173	11,110	2,586	2,646				
2011		11,958	11,901	1,753	2,810				
2012		16,146	12,919	1,172	1,697				
2013		11,562	4,271	63	1,373				
<b>All Years</b>		<b>432,330</b>	<b>421,693</b>	<b>212,247</b>	<b>219,265</b>	<b>8,791</b>	<b>0</b>	<b>228,056</b>	<b>54.1%</b>

NET	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>		<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>Ultimate ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		253,482	253,482	89,305	89,878				
2003		304,788	304,788	136,859	137,917				
2004		240,033	240,033	162,369	163,941				
2005		304,258	304,258	141,747	147,166				
2006		284,615	284,615	137,120	138,747				
2007		231,796	231,796	90,225	92,364				
2008		390,714	390,714	206,523	213,608				
2009		300,510	300,510	110,243	127,844				
2010		233,795	233,756	104,203	111,718				
2011		231,230	231,103	106,985	119,082				
2012		237,923	224,794	53,517	85,868				
2013		224,131	126,756	17,531	38,932				
<b>All Years</b>		<b>3,237,276</b>	<b>3,126,606</b>	<b>1,356,627</b>	<b>1,467,067</b>	<b>131,184</b>	<b>3,281</b>	<b>1,601,533</b>	<b>51.2%</b>

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**REINSURANCE - MARINE/AVIATION/SPACE**

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	140	5,975	11,472	14,454	16,643	18,545	19,777	20,482	20,639	21,058	21,121	20,962
2003	345	6,887	15,155	21,550	25,743	26,989	27,929	28,249	28,663	28,518	29,021	
2004	1,223	19,648	38,158	49,462	54,693	58,407	61,064	64,569	64,617	64,963		
2005	2,013	32,129	59,265	84,494	93,152	98,797	101,537	102,754	103,577			
2006	805	12,068	26,580	35,450	40,835	44,254	46,738	48,534				
2007	780	9,744	32,925	42,643	48,541	52,776	54,364					
2008	2,421	29,756	62,933	90,147	105,417	116,761						
2009	1,706	12,057	17,633	21,333	22,560							
2010	-1,879	1,687	10,436	14,773								
2011	29	1,349	5,027									
2012	261	9,650										
2013	1,055											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	8,040	17,225	20,210	22,691	24,173	23,996	24,017	23,494	23,765	24,032	22,745
2003	5,422	16,698	28,219	34,845	34,272	33,321	32,826	32,159	32,314	31,705	31,782	
2004	11,817	46,450	66,245	69,016	71,511	70,591	70,129	69,272	68,727	67,807		
2005	46,565	79,272	95,937	103,922	106,070	107,293	107,501	107,136	105,984			
2006	2,921	23,755	46,834	50,657	51,285	51,525	51,810	51,376				
2007	5,361	33,211	64,120	60,794	59,763	59,338	58,755					
2008	34,244	121,017	132,182	124,021	124,671	125,540						
2009	2,621	20,491	28,363	27,547	25,465							
2010	4,140	20,898	24,850	26,354								
2011	3,015	17,634	23,872									
2012	13,034	26,236										
2013	2,280											

REINSURANCE - MARINE/AVIATION/SPACE

GROSS	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>	<u>Ultimate</u>	<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		66,501	66,501	20,962	22,503				
2003		102,227	102,227	32,209	36,384				
2004		110,676	110,676	90,202	94,604				
2005		148,321	148,320	150,883	153,804				
2006		143,344	143,345	60,959	64,750				
2007		155,379	155,379	82,158	87,778				
2008		92,427	92,427	122,988	132,157				
2009		79,497	79,497	22,560	25,465				
2010		85,431	85,431	17,148	28,729				
2011		79,439	77,445	5,027	23,872				
2012		84,650	80,682	9,650	26,236				
2013		68,582	28,523	1,115	2,414				
<b>All Years</b>		<b>1,216,474</b>	<b>1,170,453</b>	<b>615,861</b>	<b>698,697</b>	<b>96,564</b>	<b>881</b>	<b>796,142</b>	<b>68.0%</b>

CEDED	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>	<u>Ultimate</u>	<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		1,039	1,039	0	0				
2003		8,273	7,615	3,189	4,602				
2004		20,073	20,132	25,239	26,798				
2005		31,530	32,066	47,306	47,820				
2006		43,957	43,971	12,425	13,375				
2007		56,699	56,701	27,794	29,023				
2008		4,207	4,202	6,226	6,617				
2009		9,742	9,742	0	0				
2010		1,147	1,147	2,375	2,375				
2011		6,882	6,882	0	0				
2012		1,802	1,802	0	0				
2013		6,187	3,623	61	134				
<b>All Years</b>		<b>191,537</b>	<b>188,922</b>	<b>124,614</b>	<b>130,743</b>	<b>10,142</b>	<b>0</b>	<b>140,885</b>	<b>74.6%</b>

NET	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>	<u>Ultimate</u>	<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		65,462	65,462	20,962	22,503				
2003		93,955	94,612	29,021	31,782				
2004		90,603	90,543	64,963	67,807				
2005		116,791	116,254	103,577	105,984				
2006		99,387	99,374	48,534	51,376				
2007		98,680	98,677	54,364	58,755				
2008		88,220	88,225	116,761	125,540				
2009		69,756	69,756	22,560	25,465				
2010		84,284	84,284	14,773	26,354				
2011		72,558	70,564	5,027	23,872				
2012		82,848	78,880	9,650	26,236				
2013		62,394	24,900	1,055	2,280				
<b>All Years</b>		<b>1,024,937</b>	<b>981,530</b>	<b>491,247</b>	<b>567,953</b>	<b>86,423</b>	<b>881</b>	<b>655,257</b>	<b>66.8%</b>

**ACGL GLOBAL LOSS TRIANGLES**  
**Development Triangles - Net Basis**  
**Data as of 12/31/2013 in \$US thousands**

**REINSURANCE - OTHER SPECIALTY**

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	5,444	28,413	49,572	58,393	62,595	63,017	63,475	65,766	66,164	65,943	65,966	65,596
2003	5,676	29,901	48,594	52,765	52,610	52,855	53,093	53,503	53,524	53,490	53,491	
2004	1,149	17,715	35,734	35,757	36,754	36,157	36,060	35,272	36,103	35,977		
2005	4,294	19,047	27,338	30,056	30,924	30,312	30,648	30,862	30,637			
2006	267	7,556	12,568	17,289	19,142	20,475	20,295	20,454				
2007	815	7,307	14,373	15,471	16,786	17,027	17,718					
2008	643	14,279	30,100	31,799	32,633	34,788						
2009	666	11,974	13,809	13,664	13,752							
2010	2,026	31,461	42,635	46,131								
2011	10,843	68,123	135,458									
2012	29,839	108,754										
2013	21,482											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	14,919	45,138	63,244	69,293	66,408	66,694	66,601	67,559	67,838	67,653	66,854
2003	11,141	43,232	58,283	57,360	55,638	54,897	54,796	54,490	54,429	54,379	54,374	
2004	9,922	35,312	45,236	43,239	40,903	37,569	37,104	35,845	36,581	36,239		
2005	14,851	29,842	31,805	32,896	32,559	31,441	31,162	31,252	31,149			
2006	4,043	11,250	14,557	19,299	20,681	21,281	20,966	20,922				
2007	2,564	11,209	17,388	17,858	18,112	18,016	18,660					
2008	1,997	28,982	33,090	35,581	35,332	38,201						
2009	1,790	13,451	15,068	14,735	14,781							
2010	5,111	38,617	46,242	49,543								
2011	23,448	110,262	180,822									
2012	54,719	142,696										
2013	42,657											

REINSURANCE - OTHER SPECIALTY

GROSS	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>	<u>Ultimate</u>	<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		179,081	179,081	65,596	66,449				
2003		164,896	164,896	53,491	54,374				
2004		134,161	134,161	38,287	38,549				
2005		102,997	102,997	30,637	31,149				
2006		106,585	106,585	20,454	20,922				
2007		82,835	82,835	17,718	18,660				
2008		77,453	77,453	34,788	38,201				
2009		80,245	80,245	13,842	14,875				
2010		151,258	150,890	46,316	49,777				
2011		356,799	355,598	135,494	193,686				
2012		229,960	296,824	116,973	154,963				
2013		374,717	211,723	21,484	42,740				
All Years		2,040,988	1,943,288	595,081	724,344	285,476	885	1,010,705	52.0%

CEDED	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>	<u>Ultimate</u>	<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		1,843	1,843	0	0				
2003		3,240	3,240	0	0				
2004		4,042	4,042	2,310	2,310				
2005		0	0	0	0				
2006		0	0	0	0				
2007		0	0	0	0				
2008		0	0	0	0				
2009		3,670	3,670	90	92				
2010		145	145	185	234				
2011		18,213	18,213	36	12,865				
2012		9,817	19,868	8,219	12,436				
2013		12,786	8,335	2	83				
All Years		53,754	59,355	10,842	28,020	8,757	0	36,777	62.0%

NET	<u>Underwriting</u>	<u>Written</u>	<u>Earned</u>	<u>Paid Loss &amp;</u>	<u>Reported Loss</u>	<u>IBNR Loss &amp;</u>	<u>Ultimate</u>	<u>Ultimate Loss</u>	<u>Ultimate Loss</u>
	<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>ALAE</u>	<u>&amp; ALAE</u>	<u>ALAE</u>	<u>ULAE</u>	<u>&amp; LAE</u>	<u>&amp; LAE %</u>
2002		177,238	177,238	65,596	66,449				
2003		161,656	161,656	53,491	54,374				
2004		130,120	130,120	35,977	36,239				
2005		102,997	102,997	30,637	31,149				
2006		106,585	106,585	20,454	20,922				
2007		82,835	82,835	17,718	18,660				
2008		77,453	77,453	34,788	38,201				
2009		76,575	76,575	13,752	14,783				
2010		151,113	150,745	46,131	49,543				
2011		338,586	337,385	135,458	180,822				
2012		220,144	276,956	108,754	142,527				
2013		361,931	203,388	21,482	42,657				
All Years		1,987,234	1,883,934	584,239	696,324	276,719	885	973,928	51.7%

ACGL GLOBAL LOSS TRIANGLES  
 Development Triangles - Net Basis  
 Data as of 12/31/2013 in \$US thousands

REINSURANCE - OTHER REINSURANCE

**UNDERWRITING YEAR TRIANGLE**

Paid Loss & ALAE	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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
2002	138	3,175	6,882	15,229	20,085	28,078	29,225	29,629	30,941	31,175	31,397	31,854
2003	0	0	3,003	3,906	7,385	7,539	7,561	7,765	7,765	7,792	7,792	
2004	0	0	8	3,584	14,100	14,491	14,657	14,897	14,897	14,897		
2005	0	1,422	2,980	5,980	5,872	5,872	5,872	5,872	5,872			
2006	0	0	399	401	477	480	1,106	1,493				
2007	0	0	0	0	0	0	0					
2008	0	0	0	0	0	1						
2009	0	0	0	0	0							
2010	0	0	0	0								
2011	0	0	0									
2012	0	0										
2013	0											

Reported Loss & ALAE	<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>108</b>	<b>120</b>	<b>132</b>	<b>144</b>
	2002	5,327	7,937	14,323	33,579	37,917	36,497	35,862	31,876	33,181	32,293	32,201
2003	320	1,081	5,210	6,449	9,665	9,972	8,628	8,727	8,227	7,971	10,414	
2004	0	5,000	13,116	13,675	14,699	14,865	14,946	14,924	15,141	16,430		
2005	5,992	3,344	6,416	5,980	5,872	5,872	6,872	6,872	5,872			
2006	0	0	474	401	484	513	1,493	3,067				
2007	0	0	0	0	252	252	252					
2008	0	5	21	5	2,755	2,751						
2009	0	0	740	799	804							
2010	0	0	0	0								
2011	0	0	0									
2012	0	530										
2013	0											

REINSURANCE - OTHER REINSURANCE

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	67,116	67,116	33,121	33,683				
	2003	31,205	31,205	7,811	10,433				
	2004	26,853	26,853	14,967	16,500				
	2005	21,873	21,873	5,872	5,872				
	2006	5,706	5,706	1,493	3,067				
	2007	5,238	5,238	0	252				
	2008	4,423	4,423	1	2,751				
	2009	4,347	4,347	0	804				
	2010	4,161	4,161	0	0				
	2011	4,773	4,773	0	0				
	2012	7,940	7,885	0	530				
	2013	4,948	3,789	0	0				
	<b>All Years</b>	<b>188,582</b>	<b>187,369</b>	<b>63,266</b>	<b>73,893</b>	<b>42,591</b>	<b>442</b>	<b>116,927</b>	<b>62.4%</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	2,677	2,677	1,267	1,267				
	2003	2,566	2,566	19	19				
	2004	1,380	1,380	70	70				
	2005	31	31	0	0				
	2006	97	97	0	0				
	2007	19	19	0	0				
	2008	7	7	0	0				
	2009	7	7	0	0				
	2010	0	0	0	0				
	2011	0	0	0	0				
	2012	0	0	0	0				
	2013	0	0	0	0				
	<b>All Years</b>	<b>6,784</b>	<b>6,784</b>	<b>1,356</b>	<b>1,356</b>	<b>22</b>	<b>0</b>	<b>1,378</b>	<b>20.3%</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	64,439	64,439	31,854	32,416				
	2003	28,639	28,639	7,792	10,414				
	2004	25,473	25,473	14,897	16,430				
	2005	21,842	21,842	5,872	5,872				
	2006	5,609	5,609	1,493	3,067				
	2007	5,219	5,219	0	252				
	2008	4,416	4,416	1	2,751				
	2009	4,340	4,340	0	804				
	2010	4,161	4,161	0	0				
	2011	4,773	4,773	0	0				
	2012	7,940	7,885	0	530				
	2013	4,948	3,789	0	0				
	<b>All Years</b>	<b>181,799</b>	<b>180,585</b>	<b>61,910</b>	<b>72,537</b>	<b>42,569</b>	<b>442</b>	<b>115,548</b>	<b>64.0%</b>

Underwriting Year Basis

GROSS	Reported Losses & ALAE							
	<u>Underwriting Year</u>	<u>Casualty</u>	<u>Property Catastrophe</u>	<u>Other Property</u>	<u>Marine/Aviation/Space</u>	<u>Other Specialty</u>	<u>Other Reinsurance</u>	<u>Total</u>
2002	0	0	219	0	0	0	0	219
2003	0	0	6,186	1,493	570	0	0	8,249
2004	2,470	51,014	83,559	47,290	1,018	14,395	0	199,746
2005	83	100,267	100,446	98,410	5,680	0	0	304,886
2006	0	0	4,959	76	0	0	0	5,035
2007	0	2,369	17,963	29,560	0	0	0	49,892
2008	0	107,629	34,167	102,023	0	0	0	243,819
2009	0	10,113	6,579	0	0	0	0	16,692
2010	0	172,911	37,879	0	6,851	0	0	217,641
2011	0	49,086	28,643	0	466	0	0	78,195
2012	0	72,094	21,407	5,215	0	0	0	98,716
2013	0	0	99	0	0	0	0	99
<b>All Years</b>	<b>2,553</b>	<b>565,483</b>	<b>342,107</b>	<b>284,067</b>	<b>14,584</b>	<b>14,395</b>	<b>0</b>	<b>1,223,189</b>

  

CEDED	Reported Losses & ALAE							
	<u>Underwriting Year</u>	<u>Casualty</u>	<u>Property Catastrophe</u>	<u>Other Property</u>	<u>Marine/Aviation/Space</u>	<u>Other Specialty</u>	<u>Other Reinsurance</u>	<u>Total</u>
2002	0	0	0	0	0	0	0	0
2003	0	0	0	155	0	0	0	155
2004	0	18,674	33,929	19,402	0	0	0	72,004
2005	0	47,680	76,696	40,927	0	0	0	165,303
2006	0	0	2,232	37	0	0	0	2,268
2007	0	6	8,083	14,267	0	0	0	22,357
2008	0	0	0	6,121	0	0	0	6,121
2009	0	0	0	0	0	0	0	0
2010	0	68,581	2,586	0	0	0	0	71,167
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	6	0	0	0	0	6
<b>All Years</b>	<b>0</b>	<b>134,942</b>	<b>123,531</b>	<b>80,909</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>339,382</b>

  

NET	Reported Losses & ALAE							
	<u>Underwriting Year</u>	<u>Casualty</u>	<u>Property Catastrophe</u>	<u>Other Property</u>	<u>Marine/Aviation/Space</u>	<u>Other Specialty</u>	<u>Other Reinsurance</u>	<u>Total</u>
2002	0	0	219	0	0	0	0	219
2003	0	0	6,186	1,337	570	0	0	8,094
2004	2,470	32,340	49,630	27,888	1,018	14,395	0	127,742
2005	83	52,587	23,751	57,483	5,680	0	0	139,583
2006	0	0	2,727	39	0	0	0	2,767
2007	0	2,363	9,880	15,293	0	0	0	27,535
2008	0	107,629	34,167	95,902	0	0	0	237,698
2009	0	10,113	6,579	0	0	0	0	16,692
2010	0	104,330	35,293	0	6,851	0	0	146,474
2011	0	49,086	28,643	0	466	0	0	78,195
2012	0	72,094	21,407	5,215	0	0	0	98,716
2013	0	0	93	0	0	0	0	93
<b>All Years</b>	<b>2,553</b>	<b>430,542</b>	<b>218,575</b>	<b>203,158</b>	<b>14,584</b>	<b>14,395</b>	<b>0</b>	<b>883,807</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, Chilean EQ, NZ (Darfield and Lyttelton) Quakes

Underwriting Year 2009 - Chilean EQ, NZ (Darfield and Lyttelton) Quakes, April US Wind (Tuscaloosa, PCS-46), Brisbane Floods, Japanese EQ and Tsunami

Underwriting Year 2010 - Chilean EQ, NZ (Darfield and Lyttelton) Quakes, April US Wind (Tuscaloosa, PCS-46), May US Wind (Joplin, PCS-48), Brisbane Floods, Japanese EQ and Tsunami, Thailand Flood

Underwriting Year 2011 - NZ (Darfield and Lyttelton) Quakes, April US Wind (Tuscaloosa, PCS-46), May US Wind (Joplin, PCS-48), Brisbane Floods, Japanese EQ and Tsunami, Thailand Flood, Sandy

Underwriting Year 2012 - Sandy

Underwriting Year 2013 figures represent Sandy losses assumed as part of an inward loss portfolio transfer