ARCH CAPITAL GROUP LTD.
Form 424B2
November 30, 2017

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-221344

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Maximum aggregate offering price(1)	Amount of registration fee
5.45% Non-Cumulative Preference Shares, Series F	$100,640,000	$12,529.68

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.

Table of Contents

PROSPECTUS SUPPLEMENT
(to prospectus dated November 3, 2017)
4,000,000 Depositary Shares
Each Representing a 1/1,000th Interest in a Share of
5.45% Non-Cumulative Preferred Shares, Series F

Arch Capital Group Ltd. is offering 4,000,000 depositary shares (the "Depositary Shares"), each of which represents a 1/1,000th interest in a share of its 5.45% Non-Cumulative Preferred Shares, Series F, $0.01 par value and $25,000 liquidation preference per share (equivalent to $25 liquidation preference per Depositary Share) (the "Series F Preferred Shares"). Each Depositary Share, evidenced by a depositary receipt, entitles the holder, through the depositary, to a proportional fractional interest in all rights and preferences of the Series F Preferred Shares represented thereby (including any dividend, liquidation, redemption and voting rights). This offering is a reopening of our original issuance of depositary shares each representing a 1/1,000th interest in a share of our Series F Preferred Shares (the "Existing Depositary Shares"), which occurred on August 17, 2017. As of November 29, 2017, there were 9,200,000 Existing Depositary Shares issued and outstanding. The additional Depositary Shares offered hereby will be identical in all respects to our issued and outstanding Existing Depositary Shares issued on August 17, 2017 and will have the same CUSIP as our Existing Depositary Shares.

Holders of Series F Preferred Shares will be entitled to receive dividend payments only when, as and if declared by our board of directors or a duly authorized committee of the board. Any such dividends will be payable from, and including, August 17, 2017 on a non-cumulative basis, quarterly in arrears on the last day of March, June, September and December of each year (each, a "dividend payment date"), at an annual rate of 5.45%. If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next succeeding business day with the same force and effect as if made on the original dividend payment date, and no additional dividends shall accrue on the amount so payable from such date to such next succeeding business day. The board of directors has declared the first dividend payment date to be January 2, 2018 (since December 31, 2017 (the last day of the fiscal quarter) is not a business day). Distributions will be made in respect of the Depositary Shares if and to the extent dividends are paid on the related Series F Preferred Shares.

Dividends on the Series F Preferred Shares are not cumulative. Accordingly, in the event dividends are not declared on the Series F Preferred Shares for payment on any dividend payment date, then those dividends will not accrue and will not be payable. See "Description of the Series F Preferred Shares—Dividends" in this prospectus supplement.

Except in specified circumstances relating to certain tax, regulatory or corporate events, the Series F Preferred Shares are not redeemable prior to August 17, 2022. On and after that date, the Series F Preferred Shares will be redeemable at our option, in whole or in part, at a redemption price of $25,000 per share of the Series F Preferred Shares (equivalent to $25 per Depositary Share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends to, but excluding, the redemption date. See "Description of the Series F Preferred Shares—Redemption" in this prospectus supplement. The Depositary Shares will be redeemed if and to the extent the related Series F Preferred Shares are redeemed by us.

Neither the Depositary Shares nor the Series F Preferred Shares have a stated maturity, nor will they be subject to any sinking fund or mandatory redemption. The Series F Preferred Shares are not convertible into any other securities.

The Series F Preferred Shares will not have voting rights, except as set forth under "Description of the Series F Preferred Shares—Voting Rights" in this prospectus supplement. A holder of the Depositary Shares will be entitled to direct the depositary how to vote in such circumstances. See "Description of the Depositary Shares—Voting Rights."

Our issued and outstanding Existing Depositary Shares are listed on the NASDAQ Stock Market LLC ("NASDAQ") under the symbol "ACGLO." Following the closing, the additional Depositary Shares offered by this prospectus supplement will be listed on the NASDAQ under the same symbol.

An investment in the Depositary Shares and the Series F Preferred Shares involves risks. See "Risk Factors" beginning on page S-9 of this prospectus supplement to read about important factors you should consider before investing in the

Depositary Shares and the Series F Preferred Shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public (1)	Underwriting Discounts and Commissions (2)	Proceeds, before expenses, to Arch Capital
Per Depositary Share	$25.16	$0.25	$24.91
Total	$100,640,000	$1,000,000	$99,640,000

(1) Including accrued dividends of $0.39 per Depositary Share, or $1,560,000 in total.

(2) See “Underwriting—Commissions and Discounts” in this prospectus supplement for additional discussion regarding underwriting discounts and commissions.

The underwriters expect to deliver the Depositary Shares in book entry form only, through the facilities of The Depository Trust Company against payment in New York, New York on or about December 1, 2017. See “Underwriting.”

Joint Book-Running Managers

BofA Merrill Lynch	Wells Fargo Securities

The date of this prospectus supplement is November 29, 2017.

Table of Contents

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the offering, risk factors and material tax considerations of the Depositary Shares that we are selling in this offering and the Series F Preferred Shares represented thereby and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. It is important for you to read and consider all information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein in making your investment decision. To fully understand this offering, you should also read all of these documents, including our Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K") and in our quarterly report on Form 10-Q for the quarter ended September 30, 2017 ("2017 Third Quarter Form 10-Q") and the other documents referred to under the caption "Where You Can Find Additional Information" in this prospectus supplement. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and in the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement and in the accompanying prospectus, except as otherwise noted or the context requires otherwise: (a) "ACGL," "Arch" and "Arch Capital" refer to Arch Capital Group Ltd., (b) "we," "us," "our" and "the Company" to Arch Capital and its subsidiaries, (c) "Arch Re Bermuda" refers to our wholly owned Bermuda reinsurance subsidiary, Arch Reinsurance Ltd., (d) "Arch Re U.S." refers to our wholly owned U.S. reinsurance subsidiary, Arch Reinsurance Company, (e) "Arch Insurance Europe" refers, collectively, to the U.K. insurance operations of Arch Insurance Company (Europe) Limited ("Arch Insurance Company Europe") and the managing agent and syndicate at Lloyd's of London, (f) "Arch Insurance Canada" refers to our wholly owned Canadian insurance subsidiary, Arch Insurance Canada Ltd. and (g) "Arch MI U.S." refers to our wholly owned U.S. primary mortgage insurance subsidiaries, Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company.

Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority ("BMA") for the issue and transfer of our shares, which includes the Series F Preferred Shares, to and between non-residents and residents of Bermuda for exchange control purposes provided our shares remain listed on an appointed stock exchange, which includes the NASDAQ Global Select Market. In granting such consent, the BMA does not accept any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus supplement.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary is not complete and does not contain all the information you should consider. You should read this entire prospectus supplement and the accompanying prospectus carefully, including without limitation, the documents incorporated by reference in this prospectus supplement or the accompanying prospectus, the sections entitled “Risk Factors” in this prospectus supplement and in the accompanying prospectus and the section entitled “Cautionary Note Regarding Forward-Looking Statements.”

Our Company

Arch Capital Group Ltd. is a Bermuda public company limited by shares, with approximately $11.04 billion in capital at September 30, 2017 and, through operations in Bermuda, the United States, Europe and Canada, writes insurance, reinsurance and mortgage insurance on a worldwide basis through its wholly owned subsidiaries. While we are positioned to provide a full range of property, casualty and mortgage insurance and reinsurance lines, we focus on writing specialty lines of insurance and reinsurance. For the nine months ended September 30, 2017, we wrote $3.85 billion of net premiums and reported net income available to Arch common shareholders of $363.0 million. Book value per common share was $59.61 at September 30, 2017, compared to $55.19 per share at December 31, 2016.

The worldwide insurance and reinsurance industry is highly competitive and has traditionally been subject to an underwriting cycle in which a hard market (high premium rates, restrictive underwriting standards, as well as terms and conditions, and underwriting gains) is eventually followed by a soft market (low premium rates, relaxed underwriting standards, as well as broader terms and conditions, and underwriting losses). Insurance market conditions may affect, among other things, the demand for our products, our ability to increase premium rates, the terms and conditions of the insurance policies we write, changes in the products offered by us or changes in our business strategy.

The financial results of the insurance and reinsurance industry are influenced by factors such as the frequency and/or severity of claims and losses, including natural disasters or other catastrophic events, variations in interest rates and financial markets, changes in the legal, regulatory and judicial environments, inflationary pressures and general economic conditions. These factors influence, among other things, the demand for insurance or reinsurance, the supply of which is generally related to the total capital of competitors in the market.

The broad market environment continues to be competitive in our business reflecting a continuation of softening in pricing and broadening pressures on terms and conditions. This has been true in both our insurance and reinsurance property casualty segments and has led us to continue to reduce writings in certain lines in 2017. With the continued low interest rate environment, additional increases are needed in many lines in order for us to achieve our return requirements. Recent catastrophic loss activity, including Hurricanes Harvey, Irma and Maria and the California wildfires, may result in improvements in rates and provide opportunities for growth. Our underwriting teams continue to execute a disciplined strategy by emphasizing small and medium-sized accounts over large accounts.

In October 2017, a series of wildfires burned across several California counties. With the information available, we established a preliminary range of pre-tax losses on November 3, 2017 of $30 million to $55 million for these wildfires, net of reinsurance and reinstatement premiums. There are significant uncertainties surrounding the numbers of claims and scope of damage for these wildfires and our preliminary estimate for the wildfires was based on currently available information derived from modeling techniques, industry assessments of exposure, preliminary claims information obtained from the Company’s clients and brokers to date and a review of in-force contracts. Actual losses from these wildfires may vary materially from the estimates due to the inherent uncertainties in making such determinations.

Our mortgage operations include U.S. and international mortgage insurance and reinsurance operations as well as government sponsored enterprise (“GSE”) credit-risk sharing transactions. Our mortgage platform was built through the acquisition of CMG Mortgage Insurance Company on January 30, 2014 (subsequently renamed Arch Mortgage Insurance Company) and further expanded through the acquisition of United Guaranty Corporation, a North Carolina corporation (“UGC”), from American International Group, Inc., a Delaware corporation (“AIG”), which closed on December 31, 2016. As such, our balance sheet as of December 31, 2016 or any date thereafter reflects the acquisition of UGC while our results of operations for 2016 do not include UGC activity other than the impact of capital raising activity and transaction costs.

Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company (combined "Arch MI U.S.") are leading providers of mortgage insurance products and services to the U.S. market and are also approved as eligible

Table of Contents

mortgage insurers by Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac"), each a GSE. In addition, our mortgage operations include the results of Arch Mortgage Insurance Designated Activity Company, a leading provider of mortgage insurance products and services to the European market. On July 1, 2017, we completed our previously announced acquisition of AIG United Guaranty Insurance (Asia) Limited (renamed "Arch MI Asia Limited") from AIG.

Arch MI U.S. insures mortgages for homes in areas that have been impacted by catastrophic events, such as Hurricanes Harvey and Irma and the California wildfires. We anticipate that we will experience an increase in delinquency notices on insured loans impacted by such events, principally in the 2017 fourth quarter. Generally, mortgage insurance losses occur only when a credit event occurs and, following a physical damage event, when the home is restored to pre-storm condition. Our ultimate claims exposure will depend on the number of delinquency notices received and the ultimate claim rate related to such notices. In the event of natural disasters, cure rates are influenced by the adequacy of homeowners and flood insurance carried on a related property, and a borrower's access to aid from government entities and private organizations, in addition to other factors which generally impact cure rates in unaffected areas. The 2017 third quarter results do not include a reserve for claims associated with future notices not yet reported as, in accordance with GAAP, no reserves are recorded until we are notified of the delinquencies. Management anticipates that subsequent quarters may experience some loss activity from the impacted areas, but does not expect this to be material.

Our objective is to achieve an average operating return on average equity of 15% or greater over the insurance cycle, as opposed to any one calendar year, which we believe to be an attractive return to our common shareholders given the risks we assume. We continue to look for opportunities to find acceptable books of business to underwrite without sacrificing underwriting discipline and continue to write a portion of our overall book in catastrophe-exposed business, which has the potential to increase the volatility of our operating results.

We monitor our capital adequacy on a regular basis and will seek to adjust our capital base (up or down) according to the needs of our business. The future capital requirements of our business will depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. In particular, we require (1) sufficient capital to maintain our financial strength ratings, as issued by several ratings agencies, at a level considered necessary by management to enable our key operating subsidiaries to compete; (2) sufficient capital to enable our underwriting subsidiaries to meet the capital adequacy tests performed by statutory agencies in the U.S. and other key markets; and (3) our non-U.S. operating companies are required to post letters of credit and other forms of collateral that are necessary for them to operate as they are "non-admitted" under U.S. state insurance regulations. Our ability to underwrite is largely dependent upon the quality of our claims paying and financial strength ratings as evaluated by independent rating agencies.

As part of our capital management program, we may seek to raise additional capital or may seek to return capital to our shareholders through share repurchases, cash dividends or other methods (or a combination of such methods). Any such determination will be at the discretion of our board of directors and will be dependent upon our profits, financial requirements and other factors, including legal restrictions, rating agency requirements and such other factors as our board of directors deems relevant.

Principal Executive Office

Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (telephone number: (441) 295-1422), and our principal executive offices are located at Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda (telephone number: (441) 278-9250). We maintain a website at http://www.archcapgroup.com. The information contained on our website is not incorporated herein by reference and does not form a part of this prospectus supplement or the accompanying prospectus.

Table of Contents

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Depositary Shares and the Series F Preferred Shares, see "Description of the Depositary Shares" and "Description of the Series F Preferred Shares" in this prospectus supplement. As used in this section, "we," "us," "our," "the Company" and "Arch Capital" mean Arch Capital Group Ltd. and do not include its subsidiaries.

Issuer	Arch Capital Group Ltd.
Securities offered	4,000,000 depositary shares (the "Depositary Shares"), each representing a 1/1,000th interest in a share of 5.45% Non-Cumulative Preferred Shares, Series F (or "Series F Preferred Shares"), $0.01 par value and $25,000 liquidation preference per share (equivalent to $25 liquidation preference per Depositary Share), of Arch Capital. Each holder of a Depositary Share will be entitled, through the depositary, in proportion to the applicable fraction of a Series F Preferred Share represented by such Depositary Share, to all the rights and preferences of the Series F Preferred Shares represented thereby (including dividend, voting, redemption and liquidation rights). On August 17, 2017, we issued an aggregate of 9,200,000 depositary shares, each representing a 1/1,000th ownership interest in a share of the Series F Preferred Shares. The additional Depositary Shares offered hereby will be identical in all respects to our Existing Depositary Shares representing shares of the Series F Preferred Shares and will have the same CUSIP as the

	Existing Depositary Shares. We may from time to time elect to issue additional Depositary Shares representing additional Series F Preferred Shares, and all the additional Depositary Shares would be deemed to form a single series with the Depositary Shares offered hereby.
Dividends	Dividends on the Series F Preferred Shares, when, as and if declared by the board of directors of Arch Capital or a duly authorized committee of the board, will accrue and be payable on the liquidation preference amount from, and including, August 17, 2017, on a non-cumulative basis, quarterly in arrears on each dividend payment date, at an annual rate of 5.45%. Any such dividends paid on the Series F Preferred Shares will be distributed to holders of the Depositary Shares in the manner described under "Description of the Depositary Shares—Dividends and Other Distributions" in this prospectus supplement. Dividends will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends on the Series F Preferred Shares are not cumulative. Accordingly, in the event dividends are not declared on the Series F Preferred Shares and any parity shares for payment on any dividend

	payment date, then such dividends will not accrue and will not be payable. If the board of directors of Arch Capital or a duly authorized committee of the board has not declared a dividend before the dividend payment date for any dividend period, we will have no obligation to pay dividends for such dividend period after the dividend payment date for that dividend period, whether or not dividends on the Series F Preferred Shares are declared for any future dividend period. The dividends paid on the Series F Preferred Shares qualify as "qualified dividend income" as the Depositary Shares are listed on NASDAQ. Qualified dividend income received by a non-corporate shareholder is subject to preferential tax rates, rather than the higher rates applicable to ordinary income, provided that certain holding period requirements and other conditions are met. Dividends paid on the Series F Preferred Shares to U.S. corporate shareholders will not be eligible for the dividends-received deduction. See "Certain Income Tax Considerations—Taxation of Shareholders—Distributions" in this prospectus supplement.
Dividend Payment Dates	The last day of March, June, September and December of each year. If

any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next succeeding business day with the same force and effect as if made on the original dividend payment date, and no additional dividends shall accrue on the amount so payable from such date to such next succeeding business day. The board of directors has declared the first dividend payment date to be January 2, 2018 (since December 31, 2017 (the last day of the fiscal quarter) is not a business day). See "Risk Factors—Dividends on the Series F Preferred Shares are non-cumulative." Dividends on the Series F Preferred Shares will not be mandatory.

Table of Contents

Payment of Additional Amounts	Subject to certain limitations, we will pay additional amounts to holders of the Series F Preferred Shares, as additional dividends, to make up for any deduction or withholding for any taxes or other charges imposed by or on behalf of any relevant "taxing jurisdiction" with respect to the Series F Preferred Shares, so that every net payment, after such withholding or deduction (including any such withholding or deduction from such additional amounts), will be equal to the amount we would otherwise be required to pay had no such withholding or deduction been required. See "Description of the Series F Preferred Shares—Payment of Additional Amounts" in this prospectus supplement.
Optional Redemption	On and after August 17, 2022 (the "Par Call Date"), the Series F Preferred Shares will be redeemable at our option, in whole or in part, at a redemption price equal to $25,000 per Series F Preferred Share (equivalent to $25 per Depositary Share), plus declared and unpaid dividends, if any, to, but excluding, the date of redemption. See "Description of the Series F Preferred Shares—Redemption—On or After Par Call Date" in this prospectus supplement.

At any time prior to the Par Call Date, we may redeem all but not less than all of the Series F Preferred Shares at a redemption price of $26,000 per share (equivalent to $26 per Depositary Share), plus any declared and unpaid dividends, to, but excluding, the date of redemption, if we

- submit a proposal to our holders of common shares concerning an amalgamation, consolidation, merger, arrangement, reconstruction, reincorporation, de-registration or other similar transaction involving us that requires a vote of the holders of our Series F Preferred Shares, voting separately as a single class (alone or with one or more classes or series of preferred shares); or
- submit any proposal for any other matter that, as a result of any change in Bermuda law after the date of this prospectus supplement (whether by enactment or official interpretation), requires a vote of the holders of our Series F Preferred Shares, voting separately as a single class (alone or with one or more classes or series of preferred shares);

provided, in each case, that we have sufficient funds in order to meet the BMA's enhanced capital requirement ("ECR") and the BMA (or its successor, if any) approves of the redemption or we replace the capital represented by the Series F Preferred Shares with capital having equal or better capital treatment as the Series F Preferred Shares under the ECR.

See "Description of the Series F Preferred Shares—Redemption—Business Combination Proposal" in this prospectus supplement.

At any time within 90 days following the occurrence of a "capital redemption trigger date" on which we have reasonably determined a "capital disqualification event" has occurred, we will have the option to redeem the Series F Preferred Shares, at any time in whole or in part from time to time, in each case at a redemption price of $25,000 per share (equivalent to $25 per Depositary Share).

See "Description of the Series F Preferred Shares—Redemption—Capital Disqualification Event" in this prospectus supplement.

At any time following a tax event (as defined in "Description of the Series F Preferred Shares—Redemption—Tax Events"), we or any successor company may redeem the Series F Preferred Shares, in whole or in part from time to time, at a redemption price of $25,000 per Series F Preferred Share (equivalent to $25 per Depositary Share) plus declared and unpaid dividends, if any, to, but excluding, the date of redemption, without accumulation of any undeclared dividends. See "Description of the Series F Preferred Shares—Redemption—Tax Events" in this prospectus supplement.

Our ability to redeem the Series F Preferred Shares as described above may be limited by covenants contained in our credit facilities, by the provisions of other agreements we may enter into and by applicable regulations. See "Description of the Series F Preferred Shares—Certain Restrictions on Payment of Dividends" in this prospectus supplement.

The Series F Preferred Shares will not be subject to any sinking fund or other obligation of ours to redeem, purchase or retire the Series F Preferred Shares.

Table of Contents

Certain Restrictions on Payment of Dividends and Redemptions	Under Bermuda law and under the terms of the certificate of designations governing the Series F Preferred Shares, we may not lawfully declare or pay a dividend on the Series F Preferred Shares (even if such dividends have been previously declared) or effect any redemption of Series F Preferred Shares if there are reasonable grounds for believing that (i) we are or, after giving effect to the payment of dividends or redemption of shares (as applicable), would be unable to pay our liabilities as they become due, or (ii) the realizable value of our assets would be less than our liabilities, or (iii) we are or, after giving effect to such payment or redemption (as applicable), would be in breach of applicable individual or group solvency and liquidity requirements or applicable individual or group enhanced capital requirements or such other applicable rules, regulations or restrictions as may from time to time be issued or imposed by the BMA (or any successor agency or then-applicable regulatory authority) pursuant to the terms of the Insurance Act 1978 of Bermuda and related regulations (the “Insurance Act 1978”), or any successor legislation or then-applicable law. For a discussion of currently applicable regulations, see “Business—Our Company—Regulation” in our 2016 Form 10-K.
Variation or Exchange	In lieu of redemption, at any time following a tax event or a capital disqualification event, we may, without the consent of any holders of the Series F Preferred Shares, vary the terms of, or exchange for new securities, the Series F Preferred Shares to maintain compliance with certain regulations applicable to us. No such variation of terms or securities in exchange shall change certain specified terms of the Series F Preferred Shares. See “Description of the Series F Preferred Shares—Variation or Exchange” in this prospectus supplement.
Ranking	The Series F Preferred Shares: • will rank senior to our junior shares with respect to the payment of dividends and distributions upon our liquidation, dissolution or winding-up. Junior shares includes our common shares, the Series D Preferred Shares issued to AIG in connection with the UGC acquisition and any other class or series of shares that rank junior to the Series F Preferred Shares either as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding-up; and • will rank at least equally with each other class or series of shares ranking on parity with the Series F Preferred Shares as to dividends and distributions upon any liquidation or dissolution or winding-up of Arch Capital, which we refer to as parity shares. As of the date of this prospectus supplement, we have $92.6 million aggregate liquidation preference of our Series C Non-Cumulative Preferred Shares issued in April 2012 (and to be redeemed using the net proceeds from this offering); $450 million aggregate liquidation preference of our Series E Non-Cumulative Preferred Shares issued in September 2016; and $230 million aggregate liquidation preference of our Series F Preferred Shares issued in August 2017. The Series C Non-Cumulative Preferred Shares and Series E Non-Cumulative Preferred Shares are on parity with the Series F Preferred Shares with respect to the payment of dividends and distribution of assets upon a liquidation, dissolution or winding up of Arch Capital. We may issue, without limitation, (1) additional Depositary Shares representing additional Series F Preferred Shares that would form part of the same series of Depositary Shares offered in this offering, and (2) additional series of securities that rank equally with or senior to the Series F Preferred Shares” See “Risk Factors—There is no limitation on our issuance of securities that rank equally with or senior to the Series F Preferred Shares.” During any dividend period, so long as any Series F Preferred Shares remain issued and outstanding, unless the full dividends for the latest completed dividend period on all outstanding Series F Preferred Shares have been declared and paid: • no dividend shall be paid or declared on our common shares or other junior shares, other than a dividend payable solely in junior shares; and • no common shares or other junior shares shall be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior

shares for or into other junior shares, or the exchange or conversion of one junior share for or into another junior share, or (ii) through the use of the proceeds of a substantially contemporaneous sale of junior shares, in each case as permitted by the bye-laws of Arch Capital in effect on the date of issuance of the Series F Preferred Shares).

Table of Contents

	For any dividend period in which dividends are not paid in full upon the Series F Preferred Shares and any parity shares, all dividends declared for such dividend period with respect to the Series F Preferred Shares and such parity shares shall be declared on a pro rata basis. See "Description of the Series F Preferred Shares—Dividends" in this prospectus supplement.
Liquidation Rights	Upon any voluntary or involuntary liquidation, dissolution or winding-up of Arch Capital, holders of the Series F Preferred Shares and any parity shares are entitled to receive out of our assets available for distribution to shareholders, before any distribution is made to holders of common shares or other junior shares, a liquidating distribution in the amount of $25,000 per Series F Preferred Share

	(equivalent to $25 per Depositary Share) plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Distributions will be made pro rata as to the Series F Preferred Shares and any parity shares and only to the extent of our assets, if any, that are available after satisfaction of all liabilities to creditors. See "Description of the Series F Preferred Shares—Liquidation Rights" in this prospectus supplement.
Voting Rights	Holders of the Series F Preferred Shares will have no voting rights, except with respect to certain fundamental changes in the terms of the Series F Preferred Shares and in the case of certain dividend non-payments or as otherwise required by Bermuda law or the bye-laws of Arch Capital. See "Description of the Series F Preferred Shares—Voting Rights" in this prospectus

	supplement.
Maturity	Neither the Depositary Shares nor the Series F Preferred Shares represented thereby have any maturity date, and we are not required to redeem the Series F Preferred Shares. Holders of the Series F Preferred Shares will have no right to have the Series F Preferred Shares redeemed. Accordingly, the Series F Preferred Shares, and, in turn, the Depositary Shares will remain issued and outstanding indefinitely, unless and until we decide to redeem them.
Preemptive Rights	Holders of the Series F Preferred Shares and, in turn, the Depositary Shares will have no preemptive rights.
Listing	Our issued and outstanding Existing Depositary Shares are listed on NASDAQ under the symbol "ACGLO." Following the closing, the additional Depositary Shares offered by this prospectus

	supplement will be listed on the NASDAQ under the same symbol.
Use of Proceeds	We expect to receive approximately $99.2 million (including accrued dividends of $1.6 million) in net proceeds from the sale of the Depositary Shares in this offering. We intend to use the net proceeds of this offering to redeem all issued and outstanding Series C Non-Cumulative Preferred Shares with any remaining amounts to be used for general corporate purposes. See “Use of Proceeds” in this prospectus supplement.
Risk Factors	You should consider carefully all of the information set forth, referred to or incorporated in this prospectus supplement and, in particular, should evaluate the specific factors set forth in the section entitled “Risk Factors” for an explanation of certain risks related to purchasing the Depositary Shares.

Form of Depositary Shares	The Depositary Shares will be represented by one or more global securities registered in the name of The Depository Trust Company or its nominee. This means that holders will not receive a certificate for their Depositary Shares, and the Depositary Shares will not be registered in their names. Ownership interests in the Depositary Shares will be shown on, and transfers of the Depositary Shares will be effected only through, records maintained by participants in The Depository Trust Company. The Depository Trust Company and the dividend disbursing agent for the Depositary Shares will be responsible for dividend payments to you.
Dividend Disbursing Agent and Redemption Agent	American Stock Transfer & Trust Company.
Depositary	American Stock Transfer & Trust Company.
Transfer Agent	American Stock Transfer & Trust Company.

Table of Contents

Summary Historical Condensed Financial Information

The table below shows our summary consolidated historical condensed financial information at the dates and for the periods indicated. Our summary historical financial information as of and for the years ended December 31, 2016, 2015 and 2014 has been derived from our audited consolidated financial statements, which have been audited by PricewaterhouseCoopers LLP, an independent registered public auditing firm, and are incorporated by reference herein. Our summary historical financial information as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 is derived from our unaudited consolidated financial statements for such periods, and is incorporated by reference herein. See "Where You Can Find Additional Information" in this prospectus supplement.

	Historical September 30,	December 31,		
	2017	2016	2015	2014
(U.S. dollars in thousands, except share data)	(unaudited)			
Balance Sheet Data:				
Total investments	$21,931,881	$19,719,651	$15,842,941	$15,320,770
Premiums receivable	1,269,678	1,072,435	983,443	948,695
Reinsurance recoverable on unpaid and paid losses and LAE	2,506,015	2,114,138	1,867,373	1,812,845
Goodwill and intangible assets	684,405	781,553	97,531	109,539
Total assets	32,624,797	29,372,109	23,138,931	21,967,742
Reserves for losses and LAE	11,351,267	10,200,960	9,125,250	9,036,448
Unearned premiums	3,751,550	3,406,870	2,333,932	2,231,578
Senior notes	1,732,726	1,732,258	791,306	791,141
Revolving credit agreement borrowings	826,242	756,650	530,434	100,000
Total liabilities	22,646,926	20,060,984	16,028,376	14,887,435
Common shareholders' equity available to Arch	8,138,589	7,481,163	5,841,542	5,766,714
Preferred shareholders' equity available to Arch	772,555	772,555	325,000	325,000
Total shareholders' equity available to Arch	8,911,144	8,253,718	6,166,542	6,091,714
Common shares and common share equivalents outstanding, net of treasury shares (1)	136,540,573	135,550,337	122,627,783	127,367,934

	Historical Nine Months Ended September 30,		Years Ended December 31,		
	2017	2016	2016	2015	2014
(U.S. dollars in thousands, except share data)	(unaudited)	(unaudited)			
Statement of Income Data:					
Net premiums written	$3,850,358	$3,159,076	$4,031,391	$3,817,531	$3,891,938
Total revenues	4,206,267	3,475,329	4,463,556	3,936,590	3,988,873
Losses and loss adjustment expenses	2,288,571	1,631,724	2,185,599	2,050,903	1,919,250
Underwriting related expenses	1,081,406	962,530	1,311,058	1,288,992	1,213,542
Interest expense	86,935	47,713	66,252	45,874	45,634
Total expenses	3,707,595	2,703,053	3,608,004	3,369,396	3,144,626
Income before income taxes	498,672	772,276	855,552	567,194	844,247
Net income	427,917	728,604	824,178	526,582	821,260
Preferred dividends	(34,936)	(16,453)	(28,070)	(21,938)	(21,938)
Net income available to Arch common shareholders	362,967	602,272	664,668	515,800	812,417
Weighted average common shares and common share equivalents outstanding—diluted (1)	139,222,324	124,528,174	124,717,493	126,038,743	134,922,322
Diluted net income per share	$2.61	$4.84	$5.33	$4.09	$6.02

(1) Reflects common share equivalents related to the full conversion of all Series D Convertible Preferred Shares that were issued to AIG in connection with our acquisition of UGC.

Table of Contents

RISK FACTORS

An investment in the Depositary Shares involves risks. Before making an investment decision, you should carefully consider the risks described in this prospectus supplement below and under "Cautionary Note Regarding Forward-Looking Statements," and the risks described in our 2016 Form 10-K, together with all of the other information appearing in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement, in light of your particular investment objectives and financial circumstances. In addition to such risk factors, there may be additional risks and uncertainties of which management is not aware or focused on or that management deems immaterial. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.

Risks Relating to Our Industry

We operate in a highly competitive environment, and we may not be able to compete successfully in our industry.

The insurance and reinsurance industry is highly competitive. We compete with major U.S. and non-U.S. insurers and reinsurers, many of which have greater financial, marketing and management resources than we do, as well as other potential providers of capital willing to assume insurance and/or reinsurance risk. We also compete with new companies that continue to be formed to enter the insurance and reinsurance markets. In addition, continued consolidation within the insurance and reinsurance industry will further enhance the already competitive underwriting environment. These consolidated entities may use their enhanced market power and broader capital base to negotiate price reductions for products and services that compete with ours, and we may experience rate declines and possibly write less business. In our insurance business, we compete with insurers that provide specialty property and casualty lines of insurance, including subsidiaries of Alleghany Corporation, Allied World Assurance Company, Ltd., American Financial Group, Inc., American International Group, Inc., AXIS Capital Holdings Limited, Berkshire Hathaway, Inc., Chubb Limited, CNA Financial Corp, The Hartford Financial Services Group, Inc., Ironshore Inc., Liberty Mutual Insurance, Lloyd's, Markel Insurance Company, RLI Corp., Sompo International, Tokio Marine HCC, The Travelers Companies, W.R. Berkley Corp., XL Group Ltd and Zurich Insurance Group. In our reinsurance business, we compete with reinsurers that provide property and casualty lines of reinsurance, including subsidiaries of Alleghany Corporation, Argo International Holdings, Ltd., AXIS Capital Holdings Limited, Berkshire Hathaway, Inc., Chubb Limited, Everest Re Group Ltd., Hannover Rückversicherung AG, Lloyd's, Markel Global Reinsurance, Munich Re Group, PartnerRe Ltd., RenaissanceRe Holdings Ltd., SCOR Global P&C, SCOR Global Life, Sompo International, Swiss Reinsurance Company, Third Point Reinsurance Ltd., Validus Holdings Ltd. and XL Group Ltd. We believe that we do not have a significant market share in any of our property and casualty markets.

Financial institutions and other capital markets participants also offer alternative products and services similar to our own or alternative products that compete with insurance and reinsurance products, such as insurance/risk-linked securities, catastrophe bonds and derivatives. In recent years, capital market participants have been increasingly active in the reinsurance market and markets for related risks. Certain of the new companies entering the insurance and reinsurance markets are pursuing more aggressive investment strategies than do we and other traditional reinsurers, which may result in further downward pressure on premium rates. In this regard, in March 2014, we and HPS Investment Partners, LLC (formerly Highbridge Principal Strategies, LLC) ("HPS") co-sponsored Watford Re, whose strategy is to combine a diversified reinsurance and insurance business with a disciplined investment strategy primarily consisting of non-investment grade credit assets. In addition, in January 2017, we and Kelso & Company ("Kelso") co-sponsored Premia Re, whose strategy is to reinsure or acquire companies or reserve portfolios in the non-life property and casualty insurance and reinsurance run-off market. If the investment and/or insurance underwriting strategies on such initiatives are not successful, we may be exposed to a risk of loss on our investment and in respect of any reinsurance cessions. In addition, we may not be aware of other companies that may be planning to enter the segments of the insurance and reinsurance market in which we operate.

Our competitive position is based on many factors, including our perceived overall financial strength, ratings assigned by independent rating agencies, geographic scope of business, client and broker relationships, premiums charged, contract terms and conditions, products and services offered (including the ability to design customized programs), appropriate and timely claim payments, reputation, experience and qualifications of employees and local presence. We may not be successful in competing with others on any of these bases, and the intensity of competition in our industry may erode profitability and result in less favorable policy terms and conditions for insurance and reinsurance companies generally, including us.

Table of Contents

In our U.S. mortgage business, we compete with five active U.S. mortgage insurers, which include the mortgage insurance subsidiaries of Essent Group Ltd., Genworth Financial Inc., MGIC Investment Corporation, NMI Holdings Inc. and Radian Group Inc. We believe that we have a significant market share in the mortgage insurance market. The level of competition within the private mortgage insurance industry has been intense and is not expected to diminish. In response to competitive pressures, among other factors, we reduced certain premium rates in 2015. In addition to pricing, we compete with other private mortgage insurers on the basis of underwriting guidelines, loss mitigation practices, financial strength, reputation, customer relationships, technology, service and other factors. One or more private mortgage insurers may seek increased market share by reducing pricing, or loosening their underwriting guidelines or practices, which could adversely affect our mortgage insurance operations. Competition within the private mortgage insurance industry could result in the loss of customers, lower premiums, riskier credit guidelines and other changes that could lower our revenues or increase our expenses.

The mortgage insurance industry's business has been limited as a result of competition with the Federal Housing Administration ("FHA"), which substantially increased its market share beginning in 2008. In January 2015, FHA reduced the annual mortgage insurance premium it charges from 1.35% of the loan amount to 0.85%. This premium reduction made private mortgage insurance less competitive with the FHA for borrowers with certain credit characteristics. In January 2017, FHA announced another premium reduction that would impact most borrowers. However, the new HUD commissioner indefinitely suspended this reduction pending further analysis. Further reductions will make private mortgage insurers less competitive with respect to certain borrowers. Other factors that could cause FHA to maintain or increase its share of the mortgage insurance market include: a further reduction in the premiums charged, or a shortening of the duration for which premiums are charged, for government mortgage insurance or a loosening of underwriting guidelines; imposition of additional loan level fees by the GSEs, Fannie Mae and Freddie Mac, on loans that require mortgage insurance; increases in GSE guaranty fees and the difference in the spread between Fannie Mae residential mortgage-backed securities ("RMBS") and Ginnie Mae RMBS; and the implementation of new regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Basel III Rules (as defined herein).

If the FHA or other government-sponsored mortgage insurance programs maintain or increase their share of the mortgage insurance market, our mortgage insurance business could be adversely affected. In addition to FHA and other federal mortgage insurance programs, lenders and investors may select other alternatives to private mortgage insurance, including: state-supported mortgage insurance funds in several states; lenders and other investors holding mortgages in portfolio and self-insuring; investors using credit enhancements other than mortgage insurance, using other credit enhancements in conjunction with reduced levels of mortgage insurance coverage, or accepting credit risk without credit enhancement; and lenders originating mortgages using "piggy-back" structures to avoid mortgage insurance, such as a first mortgage with an 80% loan-to-value and a second mortgage with a 10%, 15% or 20% loan-to-value (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% loan-to-value that has mortgage insurance.

Arch MI U.S. and other private mortgage insurers increasingly compete with well capitalized multiline reinsurers and capital markets alternatives to private mortgage insurance. In 2016, the GSEs expanded their respective mortgage credit risk transfer programs, which led to increased opportunities for multiline property/casualty reinsurers (including, among others, PartnerRe Ltd., Transatlantic Reinsurance Company, Everest Re Group Ltd. and RenaissanceRe Holdings Ltd.) and capital markets participants. Certain primary mortgage insurers use reinsurance as a form of capital relief. This has attracted additional reinsurers into the market and we are seeing increased competition as a result.

For other U.S. risk sharing products and non-U.S. mortgage insurance opportunities, we have also seen increased competition from well capitalized and highly rated multiline reinsurers. It is our expectation that the depth and capacity of competitors from this segment will continue to increase over the next several years as more credit risk is borne by private capital.

Any alternatives to private mortgage insurance that develop could adversely affect our operations. Any failure by us to effectively compete within and outside the mortgage insurance industry could adversely affect our financial condition and results of operations.

Table of Contents

The insurance and reinsurance industry is highly cyclical, and we expect to continue to experience periods characterized by excess underwriting capacity and unfavorable premium rates.

Historically, insurers and reinsurers have experienced significant fluctuations in operating results due to competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions, changes in equity, debt and other investment markets, changes in legislation, case law and prevailing concepts of liability and other factors. In particular, demand for reinsurance is influenced significantly by the underwriting results of primary insurers and prevailing general economic conditions. The supply of insurance and reinsurance is related to prevailing prices and levels of surplus capacity that, in turn, may fluctuate in response to changes in rates of return being realized in the insurance and reinsurance industry on both underwriting and investment sides. As a result, the insurance and reinsurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity permitted favorable premium levels and changes in terms and conditions. The supply of insurance and reinsurance has increased over the past several years and may increase further, either as a result of capital provided by new entrants or by the commitment of additional capital by existing insurers or reinsurers. Continued increases in the supply of insurance and reinsurance may have consequences for us, including fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention, and less favorable policy terms and conditions.

Claims for catastrophic events could cause large losses and substantial volatility in our results of operations and could have a material adverse effect on our financial position and results of operations. As a result, the value of our securities, including our common shares and preferred shares, may fluctuate widely.

We have large aggregate exposures to natural and man-made catastrophic events. Catastrophes can be caused by various events, including hurricanes, floods, tsunamis, windstorms, earthquakes, hailstorms, tornadoes, explosions, severe winter weather, fires, droughts and other natural disasters. Catastrophes can also cause losses in non-property business such as workers' compensation or general liability. In addition to the nature of the property business, we believe that economic and geographic trends affecting insured property, including inflation, property value appreciation and geographic concentration tend to generally increase the size of losses from catastrophic events over time. Actual losses from future catastrophic events may vary materially from estimates due to the inherent uncertainties in making such determinations resulting from several factors, including the potential inaccuracies and inadequacies in the data provided by clients, brokers and ceding companies, the modeling techniques and the application of such techniques, the contingent nature of business interruption exposures, the effects of any resultant demand surge on claims activity and attendant coverage issues.

In addition, over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposures. Although the loss experience of catastrophe insurers and reinsurers has historically been characterized as low frequency, there is a growing consensus today that climate change increases the frequency and severity of extreme weather events and, in recent years, the frequency of major catastrophes appears to have increased. Claims for catastrophic events, or an unusual frequency of smaller losses in a particular period, could expose us to large losses and cause substantial volatility in our results of operations, which could have a material adverse effect on our ability to write new business and cause the value of our securities, including our common shares and preferred shares, to fluctuate widely.

We could face unanticipated losses from war, terrorism and political instability, and these or other unanticipated losses could have a material adverse effect on our financial condition and results of operations.

We have substantial exposure to unexpected, large losses resulting from future man-made catastrophic events, such as acts of war, acts of terrorism and political instability. These risks are inherently unpredictable. It is difficult to predict the timing of such events with statistical certainty or estimate the amount of loss any given occurrence will generate. In certain instances, we specifically insure and reinsure risks resulting from acts of terrorism. Even in cases where we attempt to exclude losses from terrorism and certain other similar risks from some coverages written by us, we may not be successful in doing so. Moreover, irrespective of the clarity and inclusiveness of policy language, there can be no assurance that a court or arbitration panel will not limit enforceability of policy language or otherwise issue a ruling adverse to us. Accordingly, while we believe our reinsurance programs, together with the coverage provided under the Terrorism Risk Insurance Act of 2002, as amended under the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Act of 2007, and amended and extended again by the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("TRIPRA"), are sufficient to reasonably limit our net losses relating to potential future terrorist attacks, we can offer no assurance that our available capital will be adequate to cover losses when they materialize. To the extent that an act of terrorism is certified by the Secretary of the Treasury and aggregate industry insured losses resulting from the act of terrorism

Table of Contents

exceeds the prescribed program trigger, our U.S. insurance operations may be covered under TRIPRA for up to 83% for 2017, 82% for 2018, 81% for 2019 and 80% for 2020, in each case subject to a mandatory deductible of 20% of our prior year's direct earned premium for covered property and liability coverages. The program trigger for calendar year 2017 is $140 million and will increase by $20 million per year until it becomes $200 million in 2020. If an act (or acts) of terrorism result in covered losses exceeding the $100 billion annual limit, insurers with losses exceeding their deductibles will not be responsible for additional losses. It is not possible to completely eliminate our exposure to unforecasted or unpredictable events, and to the extent that losses from such risks occur, our financial condition and results of operations could be materially adversely affected.

The insurance and reinsurance industry is subject to regulatory and legislative initiatives or proposals from time to time which could adversely affect our business.

From time to time, various regulatory and legislative changes have been proposed in the insurance and reinsurance industry. Among the proposals that are at present being considered are the possible introduction of global regulatory standards for the amount of capital that insurance groups must maintain across the group.

The extreme turmoil in the financial markets has increased the likelihood of changes in the way the financial services industry is regulated. Governmental authorities in the U.S. and worldwide have become increasingly interested in potential risks posed by the insurance industry as a whole, and to commercial and financial systems in general. While we cannot predict the exact nature, timing or scope of possible governmental initiatives, there may be increased regulatory intervention in our industry in the future. For example, the U.S. federal government has increased its scrutiny of the insurance regulatory framework in recent years, and some state legislators have considered or enacted laws that will alter and likely increase state regulation of insurance and reinsurance companies and holding companies. Moreover, the National Association of Insurance Commissioners ("NAIC"), which is an association of the insurance commissioners of all 50 states and the District of Columbia, regularly reexamines existing laws and regulations. There are also a variety of proposals being considered by various state legislatures.

A new European solvency framework and prudential regime for insurers and reinsurers, under the Solvency II Directive 2009/138/EC ("Solvency II"), took effect in full on January 1, 2016. Solvency II imposes economic risk-based solvency requirements across all member states ("Member State") of the European Union ("EU") and consists of three pillars: Pillar I—quantitative capital requirements, based on a valuation of the entire balance sheet; Pillar II—qualitative regulatory review, which includes governance, internal controls, enterprise risk management and supervisory review process; and Pillar III—market discipline, which is accomplished through reporting of the insurer's financial condition to regulators and the public. Solvency II is supplemented by European Commission Delegated Regulation (EU) 2015/35 (the "Delegated Regulation"), other European Commission "delegated acts" and binding technical standards, and guidelines issued by European Insurance and Occupational Pensions Authority. The Delegated Regulation sets out more detailed requirements for individual insurance and reinsurance undertakings, as well as for groups, based on the overarching provisions of Solvency II, which together make up the core of the single prudential rulebook for insurance and reinsurance undertakings in the EU. Solvency II imposes significant requirements for our EU-based regulated companies which require substantial documentation and implementation effort.

The Bermuda Monetary Authority has also implemented and imposed additional requirements on the individual companies it regulates, such as Arch Re Bermuda, and over the entire Arch group of insurance companies (the "Arch Group") pursuant to its powers as group supervisor, driven, in large part, by Solvency II. The European Commission has adopted a decision concluding that Bermuda meets the full equivalence criteria under Solvency II, which decision applies from January 1, 2016.

The U.S. mortgage insurance industry is subject to substantial federal and state regulation, which has increased in recent years. The U.S. mortgage insurance industry is also subject to increased federal and state regulatory scrutiny (including by state insurance regulatory authorities), which could generate new regulations, regulatory actions or investigations. Failure to comply with federal and state regulations promulgated by federal consumer protection authorities and state insurance regulatory authorities could lead to enforcement or disciplinary action, including the imposition of penalties and the revocation of our authorization to operate.

Underwriting risks and reserving for losses are based on probabilities and related modeling, which are subject to inherent uncertainties.

Our success is dependent upon our ability to assess accurately the risks associated with the businesses that we insure and reinsure. We establish reserves for losses and loss adjustment expenses which represent estimates involving actuarial and statistical projections, at a given point in time, of our expectations of the ultimate settlement and administration costs of losses incurred. We utilize actuarial models as well as available historical insurance industry loss ratio experience and loss development patterns to assist in the establishment of loss reserves. Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our ability to accurately assess the risks of the policies that we write. Changes in the assumptions used by these models or by management could lead to an increase in our estimate of ultimate losses in the future. In addition, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer and additional lags between the time of reporting and final settlement of claims. Unfavorable development in any of these factors could cause the level of reserves to be inadequate. In addition, the estimation of loss reserves is also more difficult during times of adverse economic and market conditions due to unexpected changes in behavior of claimants and policyholders, including an increase in fraudulent reporting of exposures and/or losses, reduced maintenance of insured properties or increased frequency of small claims. Changes in the level of inflation also result in an increased level of uncertainty in our estimation of loss reserves. As a result, actual losses and loss adjustment expenses paid will deviate, perhaps substantially, from the reserve estimates reflected in our financial statements.

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

As of September 30, 2017, our consolidated reserves for unpaid losses and loss adjustment expenses, net of unpaid losses and loss adjustment expenses recoverable, were approximately $8.89 billion. Such reserves were established in accordance with applicable insurance laws and U.S. generally accepted accounting principles (“U.S. GAAP”). Loss reserves are inherently subject to uncertainty. In establishing the reserves for losses and loss adjustment expenses, we have made various assumptions relating to the pricing of our reinsurance contracts and insurance policies and have also considered available historical industry experience and current industry conditions. Any estimates and assumptions made as part of the reserving process could prove to be inaccurate due to several factors, including the fact that relatively limited historical information has been reported to us through September 30, 2017.

In accordance with mortgage insurance industry practice, we establish loss reserves only for loans in our existing default inventory. Because our mortgage insurance reserving process does not take account of the impact of future losses from loans that are not in default, mortgage insurance loss reserves are not intended to be an estimate of total future losses. Our expectation of total future losses under our mortgage insurance policies in force at any period end is not reflected in our financial statements. In addition to establishing loss reserves for loans in default, under U.S. GAAP, we are required to establish a premium deficiency reserve for our mortgage insurance products if the amount of expected future losses for a particular product and maintenance costs for such product exceeds expected future premiums, existing reserves and the anticipated investment income. We evaluate whether a premium deficiency exists quarterly. There can be no assurance that premium deficiency reserves will not be required in future periods. If this were to occur, our results of operations and financial condition could be adversely affected.

The failure of any of the loss limitation methods we employ could have a material adverse effect on our financial condition or results of operations.

We seek to limit our loss exposure by writing a number of our reinsurance contracts on an excess of loss basis, adhering to maximum limitations on reinsurance written in defined geographical zones, limiting program size for each client and prudent underwriting of each program written. In the case of proportional treaties, we may seek per occurrence limitations or loss ratio caps to limit the impact of losses from any one or series of events. In our insurance operations, we seek to limit our exposure through the purchase of reinsurance. We cannot be certain that any of these loss limitation methods will be effective. We also seek to limit our loss exposure by geographic diversification. Geographic zone limitations involve

Table of Contents

significant underwriting judgments, including the determination of the area of the zones and the inclusion of a particular policy within a particular zone's limits. There can be no assurance that various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, will be enforceable in the manner we intend, as it is possible that a court or regulatory authority could nullify or void an exclusion or limitation, or legislation could be enacted modifying or barring the use of these exclusions and limitations. Disputes relating to coverage and choice of legal forum may also arise. Underwriting is inherently a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. One or more catastrophic or other events could result in claims that substantially exceed our expectations, or the protections set forth in our policies could be voided, which, in either case, could have a material adverse effect on our financial condition or our results of operations, possibly to the extent of eliminating our shareholders' equity.