

ARCH CAPITAL GROUP LTD.  
Form DEF 14A  
March 27, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**ARCH CAPITAL GROUP LTD.**

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(Name of Registrant as Specified In Its Charter)

**Not Applicable**

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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March 27, 2012

Dear Shareholder:

I am pleased to invite you to the annual general meeting of the shareholders of Arch Capital Group Ltd. to be held on May 9, 2012, at 9:00 a.m. (local time), at the Tucker's Point Hotel, 60 Tucker's Point Drive, Hamilton Parish HS02, Bermuda. The enclosed proxy statement provides you with detailed information regarding the business to be considered at the meeting.

We are pleased to take advantage of the Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the internet. On or about March 30, 2012, we expect to mail a Notice of Internet Availability of Proxy Materials to our shareholders of record and beneficial owners as of March 12, 2012. This Notice will contain instructions on how to access our proxy statement and 2011 Annual Report to Shareholders and how to vote on the internet.

The Notice of Internet Availability of Proxy Materials will contain instructions to allow you to request copies of the proxy materials to be sent to you by mail. The proxy materials sent to you will include a proxy card that will provide you with instructions to cast your vote on the internet, a telephone number you may call to cast your vote, or you may complete, sign and return the proxy card by mail.

**Your vote is very important.** Whether or not you plan to attend the meeting, we urge you to submit your proxy over the internet or by toll-free telephone number, as described in the accompanying materials and the Notice of Internet Availability of Proxy Materials. As an alternative, if you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided.

Sincerely,

Constantine Iordanou  
*Chairman of the Board, President and  
Chief Executive Officer*

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**ARCH CAPITAL GROUP LTD.**  
**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the annual general meeting of the shareholders of Arch Capital Group Ltd. (the "Company") will be held on May 9, 2012, at 9:00 a.m. (local time), at the Tucker's Point Hotel, 60 Tucker's Point Drive, Hamilton Parish HS02, Bermuda, for the following purposes:

PROPOSAL 1: To elect four Class II Directors to serve for a term of three years or until their respective successors are elected and qualified.

PROPOSAL 2: To elect certain individuals as Designated Company Directors of certain of our non-U.S. subsidiaries, as required by our bye-laws.

PROPOSAL 3: To approve our 2012 Long Term Incentive and Share Award Plan.

PROPOSAL 4: To appoint PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2012.

PROPOSAL 5: Advisory vote to approve named executive officer compensation.

PROPOSAL 6: To conduct other business if properly raised.

Only shareholders of record as of the close of business on March 12, 2012 may vote at the meeting.

Our audited financial statements for the year ended December 31, 2011, as approved by our Board of Directors, will be presented at this annual general meeting.

**Your vote is very important. Whether or not you plan to attend the annual general meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to submit your proxy, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail, the section entitled "The Annual General Meeting" of this proxy statement or, if you requested to receive printed proxy materials, your enclosed proxy card.**

**This proxy statement and accompanying form of proxy are dated March 27, 2012 and, together with our 2011 Annual Report to Shareholders, are first being made available to shareholders on or about March 30, 2012.**

Dawna Ferguson  
*Secretary*

Hamilton, Bermuda  
March 27, 2012

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## THE ANNUAL GENERAL MEETING

*We are furnishing this proxy statement to holders of our common shares in connection with the solicitation of proxies by our Board of Directors at the annual general meeting, and at any adjournments and postponements of the meeting.*

### Internet Availability of Proxy Materials

**Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting of Shareholders to be held on May 9, 2012: this proxy statement and 2011 Annual Report to Shareholders are available at: [www.proxyvote.com](http://www.proxyvote.com).**

We are furnishing proxy materials to our shareholders primarily via the internet. On or about March 30, 2012, we expect to mail to our shareholders a Notice of Internet Availability containing instructions on how to access our proxy materials, including our proxy statement and 2011 Annual Report to Shareholders. The Notice of Internet Availability also will instruct you on how to access and submit your proxy through the internet or by telephone.

Internet distribution of our proxy materials is intended to expedite receipt by shareholders, reduce the cost of the annual meeting, and conserve natural resources. However, if you would like to receive printed proxy materials, please follow the instructions on the Notice of Internet Availability.

### Time and Place

The annual general meeting of Arch Capital Group Ltd. ("ACGL," "we," or the "Company") will be held at 9:00 a.m. (local time) on May 9, 2012 at the Tucker's Point Hotel, 60 Tucker's Point Drive, Hamilton Parish HS02, Bermuda.

### Record Date; Voting at the Annual General Meeting

Our Board of Directors has fixed the close of business on March 12, 2012 as the record date for determination of the shareholders entitled to notice of and to vote at the annual general meeting and any and all postponements or adjournments of the meeting. On the record date, there were 135,420,600 common shares outstanding and entitled to vote, subject to the limitations in our bye-laws described below. At that date, there were an estimated 524 holders of record and approximately 22,200 beneficial holders of the common shares. Each holder of record of shares on the record date is entitled to cast one vote per share, subject to the limitations described below. A shareholder may vote in person or by proxy submitted by mail, telephone or internet, on each proposal put forth at the annual general meeting. Only holders of the Company's common shares may vote at the annual general meeting. The Company's outstanding preferred shares have no voting rights (except in very limited circumstances which do not currently apply).

### Limitation on Voting Under Our Bye-Laws

Under our bye-laws, if the votes conferred by shares of the Company, directly or indirectly or constructively owned (within the meaning of Section 958 of the Internal Revenue Code of 1986, as amended (the "Code")) by any U.S. person (as defined in Section 7701(a)(30) of the Code) would otherwise represent more than 9.9% of the voting power of all shares entitled to vote generally at an election of directors, the votes conferred by such shares or such U.S. person will be reduced, subject to certain exceptions, by whatever amount is necessary so that after any such reduction the votes conferred by the shares of such person will constitute 9.9% of the total voting power of all shares entitled to vote generally at an election of directors. There may be circumstances in which the votes conferred on a U.S. person are reduced to less than 9.9% as a result of the operation of our bye-laws because of shares that may be attributed to that person under the Code.

Notwithstanding the provisions of our bye-laws described above, after having applied such provisions as best as they consider reasonably practicable, the Board of Directors may make such final adjustments to the aggregate number of votes conferred by the shares of any U.S. person that they

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consider fair and reasonable in all the circumstances to ensure that such votes represent 9.9% of the aggregate voting power of the votes conferred by all shares of ACGL entitled to vote generally at an election of directors.

In order to implement our bye-laws, we will assume that all shareholders are U.S. persons unless we receive assurances satisfactory to us that they are not U.S. persons.

**Quorum; Votes Required for Approval**

The presence of two or more persons representing, in person or by proxy, including proxies properly submitted by mail, telephone or internet, not less than a majority of the voting power of our shares outstanding and entitled to vote at the annual general meeting is necessary to constitute a quorum. If a quorum is not present, the annual general meeting may be adjourned from time to time until a quorum is obtained. The affirmative vote of a majority of the voting power of the shares represented at the annual general meeting will be required for approval of each of the proposals, except that Proposal 1 will be determined by a plurality of the votes cast and Proposal 5 is advisory and does not have a required vote.

An automated system administered by our distribution and tabulation agent will tabulate votes cast by proxy at the annual general meeting, and our inspector will tabulate votes cast in person. Abstentions and broker non-votes (*i.e.*, shares held by a broker which are represented at the meeting but with respect to which such broker does not have discretionary authority to vote on a particular proposal) will be counted for purposes of determining whether or not a quorum exists. Abstentions will be considered in determining the number of votes necessary for Proposals 2, 3 and 4.

Several of our officers and directors will be present at the annual general meeting and available to respond to questions. Our independent auditors are expected to be present at the annual general meeting and will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Voting and Revocation of Proxies**

All shareholders should follow the instructions on the Notice of Internet Availability to access and submit your proxy through the internet or by telephone or, if you received printed proxy materials, complete, sign, date and return the enclosed proxy card. All shares represented at the annual general meeting by proxies, including proxies properly submitted by mail, telephone or internet, received before or at the annual general meeting, unless those proxies have been revoked, will be voted at the annual general meeting, including any postponement or adjournment of the annual general meeting. **If no instructions are indicated on a properly executed proxy, the proxies will be deemed to be in accordance with the recommendation of the Board of Directors with respect to each of the proposals described in this proxy statement.**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by either:

filing, including by facsimile, with the Secretary of the Company, before the vote at the annual general meeting is taken, a written notice of revocation bearing a later date than the date of the proxy or a later-dated proxy relating to the same shares, including proxies properly submitted by mail, telephone or internet; or

attending the annual general meeting and voting in person.

In order to vote in person at the annual general meeting, shareholders must attend the annual general meeting and cast their vote in accordance with the voting procedures established for the annual general meeting. Attendance at the annual general meeting will not in and of itself constitute a



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revocation of a proxy. Any written notice of revocation or subsequent proxy must be sent so as to be delivered at or before the taking of the vote at the annual general meeting to Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda, facsimile: (441) 278-9255, Attention: Secretary.

**Solicitation of Proxies**

Proxies are being solicited by and on behalf of the Board of Directors. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, telegram, facsimile and advertisement in periodicals and postings, in each case by our directors, officers and employees.

We have retained MacKenzie Partners, Inc. to aid in the solicitation of proxies and to verify records related to the solicitation. We will pay MacKenzie Partners, Inc. fees of not more than \$7,500 plus expense reimbursement for its services. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward solicitation materials to beneficial owners and will be reimbursed for their reasonable expenses incurred in so doing. We may request by telephone, facsimile, mail, electronic mail or other means of communication the return of the proxy cards. Please contact MacKenzie Partners at 800-322-2885 with any questions you may have regarding our proposals.

**Other Matters**

Our audited financial statements for the year ended December 31, 2011, as approved by our Board of Directors, will be presented at this annual general meeting.

As of the date of this proxy statement, our Board of Directors knows of no matters that will be presented for consideration at the annual general meeting other than as described in this proxy statement. If any other matters shall properly come before the annual general meeting or any adjournments or postponements of the annual general meeting and shall be voted on, the enclosed proxies will be deemed to confer discretionary authority on the individuals named as proxies therein to vote the shares represented by such proxies as to any of those matters. The persons named as proxies intend to vote in accordance with the recommendation of our Board of Directors or otherwise in their judgment.

**Principal Executive Offices**

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 Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda (telephone number: (441) 278-9250).

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The Board of Directors of ACGL is comprised of eleven members, divided into three classes, serving staggered three-year terms. The Board of Directors intends to present for action at the annual general meeting the election of Eric W. Doppstadt, Constantine Iordanou, James J. Meenaghan and John M. Pasquesi whose present terms expire this year, to serve as Class II Directors for a term of three years or until their successors are duly elected and qualified. Such nominees were recommended for approval by the Board of Directors by the nominating committee of the Board of Directors.

Unless authority to vote for these nominees is withheld, the enclosed proxy will be voted for these nominees, except that the persons designated as proxies reserve discretion to cast their votes for other persons in the unanticipated event that any of these nominees is unable or declines to serve.

**Nominees**

Set forth below is information regarding the nominees for election:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Eric W. Doppstadt	52	Class II Director of ACGL
Constantine Iordanou	62	Chairman of the Board, President and Chief Executive Officer of ACGL and Class II Director of ACGL
James J. Meenaghan	73	Class II Director of ACGL
John M. Pasquesi	52	Class II Director of ACGL

*Eric W. Doppstadt* has been a director of the Company since November 2010. Mr. Doppstadt serves as vice president and chief investment officer of the Ford Foundation. Mr. Doppstadt has been with the Ford Foundation for over 20 years, most recently as director of private equity investments for the foundation's endowment. He joined the Ford Foundation in 1989 as resident counsel, later assuming senior positions managing the Ford's alternative investment portfolio. He has also served on the investment advisory boards of numerous private equity and venture capital funds, including Andreesen Horowitz, Clayton Dubilier & Rice, Flexpoint Partners, LLC, and NorthBridge Ventures. Mr. Doppstadt holds the Chartered Financial Analyst designation from the CFA Institute. He holds an A.B. degree from The University of Chicago and a J.D. from New York University School of Law. Mr. Doppstadt was recommended to our nominating committee by non-management/independent directors. Mr. Doppstadt's qualifications for service on our Board include his extensive investment experience and investment management skills.

*Constantine Iordanou* has been chairman of the board of ACGL since November 6, 2009 and president and chief executive officer of ACGL since August 2003. He has been a director since January 1, 2002. From January 2002 to July 2003, Mr. Iordanou was chief executive officer of Arch Capital Group (U.S.) Inc. From March 1992 through December 2001, Mr. Iordanou served in various capacities for Zurich Financial Services and its affiliates, including as senior executive vice president of group operations and business development of Zurich Financial Services, president of Zurich-American Specialties Division, chief operating officer and chief executive officer of Zurich-American and chief executive officer of Zurich North America. Prior to joining Zurich, he served as president of the commercial casualty division of the Berkshire Hathaway Group and served as senior vice president with the American Home Insurance Company, a member of the American International Group. Since 2001, Mr. Iordanou has served as a director of Verisk Analytics, Inc. (formerly known as ISO Inc.). He holds an aerospace engineering degree from New York University. Mr. Iordanou's qualifications for service on our Board include his extensive leadership, executive management and operating experience in the insurance industry, his in-depth knowledge of our operations and service on boards of directors of other companies.

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*James J. Meenaghan* has been a director of ACGL since October 2001. From October 1986 until his retirement in 1992, Mr. Meenaghan was chairman, president and chief executive officer of Home Insurance Companies. He also served as president and chief executive officer of John F. Sullivan Co. from 1983 to 1986. Prior thereto, Mr. Meenaghan held various positions over 20 years with the Fireman's Fund Insurance Company, including president and chief operating officer and vice chairman of its parent company, American Express Insurance Services Inc. He holds a B.S. degree from Fordham University. Mr. Meenaghan's qualifications for service on our Board include his broad management and operating experience in the insurance industry and service on boards of directors of other companies.

*John M. Pasquesi* has been vice chairman and a director of ACGL since November 2001. Mr. Pasquesi has been the managing member of Otter Capital LLC, a private equity investment firm he founded in January 2001. He holds an A.B. degree from Dartmouth College and an M.B.A. degree from Stanford Graduate School of Business. Mr. Pasquesi's qualifications for service on our Board include his investment skills, extensive experience in evaluating and overseeing companies in a wide range of industries, including the insurance industry, and service on boards of directors of other companies.

**Required Vote**

A plurality of the votes cast at the annual general meeting will be required to elect the above nominees as Class II Directors of ACGL.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF ALL NOMINEES TO THE BOARD OF DIRECTORS.**

**Continuing Directors and Senior Management**

The following individuals are our continuing directors:

Name	Age	Position	Term Expires*
Wolfe "Bill" H. Bragin	67	Class III Director of ACGL	2013
John L. Bunce, Jr.	53	Class III Director of ACGL	2013
Kewsong Lee	46	Class I Director of ACGL	2014
Yiorgos Lillikas	51	Class III Director of ACGL	2013
Brian S. Posner	50	Class I Director of ACGL	2014
John D. Vollaro	67	Class I Director and Senior Advisor of ACGL	2014
Robert F. Works	64	Class I Director of ACGL	2014

\*

Indicates expiration of term as a director of ACGL

*Wolfe "Bill" H. Bragin* has served as a director of ACGL since May 2002. He served as vice president of GE Asset Management from 1985 until his retirement in 2002. He also served as a managing director of GE Asset Management until 2002. Mr. Bragin had been employed by various affiliates of General Electric Company since 1974, including GE Capital (formerly known as GE Credit Corporation), specializing in equipment leasing and private investments, through 1984, and, thereafter, GE Asset Management's Private Placement Group, specializing in private equity investments. Mr. Bragin has previously served as a director of both privately-held and publicly-traded companies. He holds a B.S. degree from the University of Connecticut and an M.B.A. degree from Babson Institute of Business Administration. Mr. Bragin's qualifications for service on our Board include his extensive operating experience as a senior executive in a worldwide financial services organization, his investment skills and his prior service on boards of directors of other companies.

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*John L. Bunce, Jr.* has served as a director of ACGL since November 2001. Mr. Bunce is a managing director and founder of Greyhawk Capital Management, LLC and a senior advisor to Hellman & Friedman LLC. He joined Hellman & Friedman in 1988 and previously served as a managing director of the firm. Before joining Hellman & Friedman, Mr. Bunce was vice president of TA Associates. Previously, he was employed in the mergers & acquisitions and corporate finance departments of Lehman Brothers Kuhn Loeb. He has served as a director of Duhamel Falcon Cable Mexico, Eller Media Company, Falcon Cable TV, National Radio Partners, VoiceStream Wireless Corporation, Western Wireless Corporation, National Information Consortium, Inc. and Young & Rubicam, Inc. Mr. Bunce also was an advisor to American Capital Corporation and Post Oak Bank. He holds an A.B. degree from Stanford University and an M.B.A. degree from Harvard Business School. Mr. Bunce's qualifications for service on our Board include his corporate finance background, investment skills, extensive experience in evaluating and overseeing companies in a wide range of industries and service on boards of directors of other companies.

*Kewsong Lee* has served as a director of ACGL since November 2001 and has been Lead Director since November 6, 2009. Mr. Lee has served as a member and managing director of Warburg Pincus LLC ("Warburg Pincus") and a general partner of Warburg Pincus & Co. since January 1997. He has been employed at Warburg Pincus since 1992. Prior to joining Warburg Pincus, Mr. Lee was a consultant at McKinsey & Company, Inc. from 1990 to 1992. His present service as a director includes membership on the boards of MBIA Inc., Neiman Marcus Group, Inc., ARAMARK Corporation and several privately held companies. He formerly served as a director of Knoll, Inc. and TransDigm Group Inc. He holds an A.B. degree from Harvard College and an M.B.A. degree from Harvard Business School. Mr. Lee also serves on the board of directors of Lincoln Center Theatre and is a trustee of Choate Rosemary Hall. Mr. Lee's qualifications for service on our Board include his investment skills, extensive experience in evaluating and overseeing companies in a wide range of industries, including the insurance industry, and service on boards of directors of other companies.

*Yiorgos Lillikas* has been a director of the Company since November 2010. Mr. Lillikas is the chief executive officer of BlueTree Consultants, a corporate consulting firm he founded in 2008. From 2006 to 2007, Mr. Lillikas served as the Minister of Foreign Affairs of the Republic of Cyprus (E.U.). From 2003 to 2006, he was the Minister of Commerce, Industry and Tourism of the Republic of Cyprus. From 1996 through 2003, Mr. Lillikas served as a member of the House of Representatives of the Republic of Cyprus and a member of the Parliamentary Committees for Economic and Budget, Commerce, Foreign and European Affairs and Environment. In 2000 he was elected Vice President of the Committee of Political Affairs of the Parliamentary Assembly of the OSCE. He was founder and chief executive officer of Marketway, a strategic, advertising and public relations firm. Prior thereto, he served the Republic of Cyprus in various roles, including special advisor to the president. He holds a diploma in political sciences from the Institute of Political Sciences in the University of Lyon II, a D.E.A. (a diploma of doctorate cycle) in political sciences from the Institute of Political Science in Grenoble. Mr. Lillikas' qualifications for service on our Board include his extensive experience in the fields of international and European affairs.

*Brian S. Posner* has been a director of the Company since November 2010. Mr. Posner has been a private investor since March 2008 and is the President of Point Rider Group LLC, a consulting and advisory services firm within the financial services industry. From 2005 to March 2008, Mr. Posner served as the chief executive officer and co-chief investment officer of ClearBridge Advisors, LLC, an asset management company and a wholly owned subsidiary of Legg Mason. Prior to that, Mr. Posner co-founded Hygrove Partners LLC, a private investment fund, in 2000 and served as the managing member for five years. He served as a portfolio manager and an analyst at Fidelity Investments from 1987 to 1996 and, from 1997 to 1999, at Warburg Pincus Asset Management/Credit Suisse Asset Management where he also served as co-chief investment officer and director of research. Mr. Posner currently serves on the boards of directors of Biogen Idec Inc. and BG Medicine, Inc., and he is a

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trustee of the AQR funds. He holds a B.A. from Northwestern University and an M.B.A. from the University of Chicago Booth School of Business. Mr. Posner's qualifications for service on our Board include his strong financial background, investment skills and extensive experience as a leading institutional investment manager and advisor.

*John D. Vollaro* has been a senior advisor of ACGL since April 2009 and has served as a director of ACGL since November 2009. He was executive vice president and chief financial officer of ACGL from January 2002 to March 2009 and treasurer of ACGL from May 2002 to March 2009. Prior to joining us, Mr. Vollaro acted as an independent consultant in the insurance industry since March 2000. Prior to March 2000, Mr. Vollaro was president and chief operating officer of W.R. Berkley Corporation from January 1996 and a director from September 1995 until March 2000. Mr. Vollaro was chief executive officer of Signet Star Holdings, Inc., a joint venture between W.R. Berkley Corporation and General Re Corporation, from July 1993 to December 1995. Mr. Vollaro served as executive vice president of W.R. Berkley Corporation from 1991 until 1993, chief financial officer and treasurer of W.R. Berkley Corporation from 1983 to 1993 and senior vice president of W.R. Berkley Corporation from 1983 to 1991. Mr. Vollaro's qualifications for service on our Board include his financial background, extensive executive management and operating experience in the insurance industry and his in-depth knowledge of our operations.

*Robert F. Works* has been a director of ACGL since June 1999. Mr. Works was a managing director of Jones Lang LaSalle (previously LaSalle Partners) until he retired on December 31, 2001. He joined Jones Lang LaSalle in 1981, where he has served in various capacities, including manager of both the Property Management and Investment Management teams of the Eastern Region of the United States. Mr. Works was also manager for the Times Square Development Advisory and Chelsea Piers Lease Advisory on behalf of New York State and the president of GCT Ventures and the Revitalization of Grand Central Terminal for the Metropolitan Transportation Authority until he retired on December 31, 2001. He holds a B.A. degree from the College of William and Mary. Mr. Works' qualifications for service on our Board include his extensive senior management and operating background and real estate and property management experience.

The following individuals are members of senior management, including our executive officers, who do not serve as directors of ACGL:

<b>Name</b>	<b>Age</b>	<b>Position</b>
John C.R. Hele	53	Executive Vice President, Chief Financial Officer, Chief Risk Officer and Treasurer of ACGL
Marc Grandisson	44	Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group
Mark D. Lyons	55	Chairman and Chief Executive Officer of Arch Worldwide Insurance Group
W. Preston Hutchings	55	President of Arch Investment Management Ltd. and Senior Vice President and Chief Investment Officer of ACGL
Timothy J. Olson	54	President and Chief Executive Officer of Arch Reinsurance Company
Nicolas Papadopoulo	49	President and Chief Executive Officer of Arch Reinsurance Ltd.
Louis T. Petrillo	46	President and General Counsel of Arch Capital Services Inc.
John F. Rathgeber	57	Vice Chairman of Arch Worldwide Reinsurance Group and Chairman of Arch Reinsurance Company

*John C.R. Hele* has been executive vice president, chief financial officer and treasurer of ACGL since April 2009 and chief risk officer of ACGL since February 2012. Prior to joining us, from April 1, 2007 to March 2009, he was the chief financial officer and a member of the Executive Board of ING

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Group. Prior thereto, from February 2006 to April 2007, Mr. Hele was deputy chief financial officer of ING Group and, from October 2003 to January 2006, he was the general manager and chief insurance risk officer of ING Group responsible for global insurance risk management and also served as its group actuary. From 1999 to 2003, he was the chief executive officer of Worldinsure, Bermuda. Previously, from 1988 to 1999, Mr. Hele was an investment banker with Merrill Lynch and also served in marketing and finance positions with its Private Client Division. In addition, from 1980 to 1987, he held various actuarial, finance and business roles at Crown Life. Mr. Hele holds a Bachelor's degree in mathematics from the University of Waterloo and is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and a Fellow of the Canadian Institute of Actuaries.

*Marc Grandisson* has served as chairman and chief executive officer of Arch Worldwide Reinsurance Group, an executive position of ACGL, since November 2005. Prior to November 2005, he served as president and chief executive officer of Arch Reinsurance Ltd. ("Arch Re (Bermuda)") from February 2005. He served as president and chief operating officer of Arch Re (Bermuda) from April 2004 to February 2005 and as senior vice president, chief underwriting officer and chief actuary of Arch Re (Bermuda) from October 2001. From March 1999 until October 2001, Mr. Grandisson was employed as vice president and actuary of the reinsurance division of Berkshire Hathaway. From July 1996 until February 1999, Mr. Grandisson was employed as vice president-director of F&G Re Inc. From July 1994 until July 1996, Mr. Grandisson was employed as an actuary for F&G Re. Prior to that, Mr. Grandisson was employed as an actuarial assistant of Towers Watson. Mr. Grandisson holds an M.B.A. degree from The Wharton School of the University of Pennsylvania. He is also a Fellow of the Casualty Actuarial Society.

*Mark D. Lyons* has served as chairman and chief executive officer of Arch Worldwide Insurance Group, an executive position of ACGL, and chairman and chief executive officer of Arch Insurance Group Inc. ("Arch Insurance Group") since July 2008. Prior thereto, he served as president and chief operating officer of Arch Insurance Group from June 2006. Prior to June 2006, he served as executive vice president of group operations and chief actuary of Arch Insurance Group from August 2003. From August 2002 to 2003, he was senior vice president of group operations and chief actuary of Arch Insurance Group. From 2001 until August 2002, Mr. Lyons worked as an independent consultant. From 1992 to 2001, Mr. Lyons was executive vice president of product services at Zurich U.S. From 1987 until 1992, he was a vice president and actuary at Berkshire Hathaway Insurance Group. Mr. Lyons holds a B.S. degree from Elizabethtown College. He is also an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries. Mr. Lyons is on the Board of Overseers of the St. John's School of Risk Management & Insurance, is a trustee of Elizabethtown College and on the Board of Visitors for the Wake Forest University School of Business.

*W. Preston Hutchings* has served as president of Arch Investment Management Ltd. since April 2006 and senior vice president and chief investment officer of ACGL since July 2005. Prior to joining ACGL, Mr. Hutchings was at RenaissanceRe Holdings Ltd. from 1998 to 2005, serving as senior vice president and chief investment officer. Previously, he was senior vice president and chief investment officer of Mid Ocean Reinsurance Company Ltd. from January 1995 until its acquisition by XL Group plc in 1998. Mr. Hutchings began his career as a fixed income trader at J.P. Morgan & Co., working for the firm in New York, London and Tokyo. He graduated in 1978 with a B.A. from Hamilton College and received in 1981 an M.A. in Jurisprudence from Oxford University, where he studied as a Rhodes Scholar.

*Timothy J. Olson* has been chief executive officer of Arch Reinsurance Company ("Arch Re U.S.") since November 2009 and president of Arch Re U.S. since March 2009. From April 2004 to February 2009, he was executive vice president and chief underwriting officer of Arch Re U.S. Prior thereto, he was managing director-treaty casualty of Arch Re U.S. from November 2001 to April 2004. From August 2001 until November 2001, Mr. Olson was senior vice president of Holborn Reinsurance. Prior to that time, he held various executive level positions at St. Paul Re, including executive vice

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president-international since 1998. From September 1986 until April 1998, Mr. Olson was employed by F&G Re as an executive vice president. From 1996-1998 he was a member of the board of directors of Ashley Palmer, a Lloyd's Managing Agency. Mr. Olson holds a B.A. from Gustavus Adolphus College, and he is a chartered property casualty underwriter.

*Nicolas Papadopoulo* has served as president and chief executive officer of Arch Re (Bermuda) since November 2005. Prior to November 2005, he served as chief underwriting officer of Arch Re (Bermuda) from October 2004. He joined Arch Re (Bermuda) in December 2001 as a senior property underwriter. Prior to that time, he held various positions at Sorema N.A. Reinsurance Group, a U.S. subsidiary of Groupama from 1990, including executive vice president and chief underwriting officer since 1997. Prior to 1990, Mr. Papadopoulo was an insurance examiner with the Ministry of Finance, Insurance Department, in France. Mr. Papadopoulo graduated from École Polytechnique in France and École Nationale de la Statistique et de l'Administration Economique in France with a masters degree in statistics. He is also a member of the International Actuarial Association and a Fellow at the French Actuarial Society.

*Louis T. Petrillo* has been president and general counsel of Arch Capital Services Inc. since April 2002. From May 2000 to April 2002, he was senior vice president, general counsel and secretary of ACGL. From 1996 until May 2000, Mr. Petrillo was vice president and associate general counsel of ACGL's reinsurance subsidiary. Prior to that time, Mr. Petrillo practiced law at the New York firm of Willkie Farr & Gallagher LLP. He holds a B.A. degree from Tufts University and a law degree from Columbia University.

*John F. Rathgeber* has been vice chairman of Arch Worldwide Reinsurance Group, an executive position of ACGL, and chairman of Arch Re U.S. since November 2009. From March 2009 to November 2009, he was chairman and chief executive officer of Arch Re U.S. Prior thereto, he was president and chief executive officer of Arch Re U.S. from April 2004 to February 2009 and managing director and chief operating officer of Arch Re U.S. from December 2001 to March 2004. From 1998 until 2001, Mr. Rathgeber was executive vice president of the financial solutions business unit of St. Paul Re. From November 1992 until 1996, Mr. Rathgeber was employed as a vice president in the non-traditional underwriting department at F&G Re, and from 1996 until 1998, Mr. Rathgeber served as a senior vice president of non-traditional reinsurance. Prior to joining F&G Re, Mr. Rathgeber was employed by Prudential Re from 1980 until 1992. During that time, he held various underwriting positions, and from 1988 until 1992, Mr. Rathgeber was a director in the actuarial department. Mr. Rathgeber holds a B.A. from Williams College. He is also a chartered property and casualty underwriter, a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

**Board of Directors**

*Leadership Structure*

The Board currently combines the role of chairman of the board and chief executive officer, together with an independent lead director to strengthen our corporate governance structure. We believe that the combined role of chairman and chief executive officer will promote unified leadership and direction for the Company, which will provide a single, clear focus for management to execute the Company's strategy and business plan. This structure will also foster clear accountability and effective decision making. We believe that the combined role of chairman and chief executive officer, together with an independent Board, including an independent lead director, provides an appropriate balance between strategy development and independent oversight of management.

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Several factors ensure that we have a strong and independent Board. As indicated below, all directors, with the exception of Mr. Iordanou and Mr. Vollaro, are independent as defined under the applicable listing standards of The NASDAQ Stock Market LLC ("NASDAQ"), and the audit, compensation and nominating committees of our Board are composed entirely of independent directors. The Company's independent directors bring experience, oversight and expertise from many industries, including the insurance industry. In addition to feedback provided during the course of Board meetings, the independent directors regularly meet in executive session without management present. The Board also has regular access to our management team.

The lead director coordinates the activities of the other non-management/independent directors, and performs such other duties and responsibilities as the Board may determine. The lead director presides at all meetings of the Board at which the chairman of the board is not present, including executive sessions of the non-management/independent directors, and has the authority to call meetings of the non-management/independent directors. The lead director also serves as principal liaison between the chairman of the board and the non-management/independent directors and works with the chairman of the board to develop an appropriate schedule of Board meetings and to establish the agendas for Board meetings. In addition, the lead director advises the chairman of the board as to the quality, quantity and timeliness of the flow of information from the Company's management that is necessary for the independent directors to effectively and responsibly perform their duties. The lead director is also available, when appropriate, for consultation and direct communication with major shareholders.

***Board Independence and Composition***

The Board of Directors is required to determine which directors satisfy the criteria for independence under the rules of NASDAQ. To be considered independent, a director may not maintain any relationship that would interfere with his or her independent judgment in completing the duties of a director. The rules state that certain relationships preclude a board finding of independence, including a director who is, or during the past three years was, employed by the company, and any director who accepts any payments from the company in excess of \$120,000 during the current year or any of the past three years, other than director fees or payments arising solely from investments in the company's securities. The rules specifically provide that ownership of company stock by itself would not preclude a board finding of independence. Our Board of Directors consists of eleven directors, including nine non-employee directors. Our Board of Directors has concluded that the following nine non-employee directors are independent in accordance with the director independence standards set forth in Rule 5600 of the rules of NASDAQ: Wolfe "Bill" H. Bragin, John L. Bunce, Jr., Eric W. Doppstadt, Kewsong Lee, Yiorgos Lillikas, James J. Meenaghan, John M. Pasquesi, Brian S. Posner and Robert F. Works. In making these independence determinations, the Board reviewed the relationships with the directors set forth under the captions "Compensation Committee Interlocks and Insider Participation" and "Certain Relationships and Related Transactions," including ordinary course transactions not meeting the disclosure threshold with insurers, reinsurers and producers in which a director or a fund affiliated with any of our directors maintained at least a 10% ownership interest.

***Role in Risk Oversight***

Our Board, as a whole and also at the committee level, has an active role in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's business and operations, including with respect to underwriting, investments, capital management, liquidity, financial reporting and compliance, as well as the risks associated with these activities. Committees of the Board help oversee the business and operations of the Company. The underwriting oversight committee oversees risks relating to our underwriting activities, including with respect to accumulations and aggregations of exposures in our insurance and reinsurance businesses. The



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members of the underwriting oversight committee regularly participate in the underwriting review meetings held in our insurance and reinsurance operations. The audit committee oversees management of financial reporting and compliance risks. The compensation committee is responsible for overseeing the management of risks relating to the Company's compensation plans and arrangements, retention of personnel and succession planning. The finance and investment committee oversees risks relating to our investment and capital management activities. The nominating committee oversees risks associated with the composition of the Board of Directors. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks. Please refer to "Committees of the Board of Directors."

*Code of Business Conduct, Committee Charters and Corporate Governance Guidelines*

We have adopted a Code of Business Conduct, which describes our ethical principles, and charters of responsibilities for our standing Board committees, including underwriting oversight, audit, compensation, executive, finance and investment and nominating committees. We have also adopted Corporate Governance Guidelines that cover issues such as executive sessions of the Board of Directors, director qualification and independence requirements, director responsibilities, access to management evaluation and communications with the Board in order to help maintain effective corporate governance at the Company. The full text of our Code of Business Conduct, each committee charter and our Corporate Governance Guidelines is available on the Company's website located at [www.archcapgroup.bm](http://www.archcapgroup.bm). None of the material on our website is incorporated herein by reference.

*Meetings*

The Board of Directors held four meetings during 2011. Each director attended 75% or more of all meetings of the Board of Directors and any committees on which the director served during fiscal year 2011, except Mr. Pasquesi who attended approximately 70% of the meetings as he did not attend one of the four quarterly Board meetings and related committee meetings. Mr. Pasquesi has attended all other meetings of the Board and committees on which he served since joining the Board in 2001, and regularly participates in the underwriting review meetings held in our insurance and reinsurance operations. Directors are encouraged, but not required to, attend our annual general meetings of shareholders. All of our directors attended the 2011 annual general meeting.

*Communications with the Board of Directors*

Shareholders may communicate with the Board of Directors or any of the directors by sending written communications addressed to the Board of Directors or any of the directors, c/o Secretary, Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda. All shareholder communications will be compiled by the Secretary for review by the Board of Directors.

**Committees of the Board of Directors**

*Underwriting Oversight Committee*

The underwriting oversight committee of the Board of Directors assists the Board of Directors by reviewing the underwriting activities of our insurance and reinsurance subsidiaries. The underwriting oversight committee currently consists of John D. Vollaro (chairman), Wolfe "Bill" H. Bragin, Yiorgos Lillikas and John M. Pasquesi. The underwriting oversight committee held four meetings in 2011.

*Audit Committee*

The audit committee assists the Board of Directors in monitoring (1) the integrity of our financial statements, (2) the qualifications and independence of the independent registered public accounting firm, (3) the performance of our internal audit function and independent registered public accounting

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firm and (4) the compliance by the Company with legal and regulatory requirements. The audit committee currently consists of James J. Meenaghan (chairman), Wolfe "Bill" H. Bragin, Brian S. Posner and Robert F. Works. All of such audit committee members are considered independent under the listing standards of NASDAQ governing the qualifications of the members of audit committees and the independence requirements under Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board of Directors has determined that Mr. Meenaghan qualifies as an "audit committee financial expert" under the rules of the Securities and Exchange Commission ("SEC"). The audit committee held five meetings during 2011.

*Compensation Committee*

The compensation committee of the Board of Directors approves the compensation of our senior executives and has overall responsibility for approving, evaluating and making recommendations to the Board of Directors regarding our officer compensation plans, policies and programs. The compensation committee currently consists of John L. Bunce, Jr. (chairman), Kewsong Lee, James J. Meenaghan and Robert F. Works. All of such compensation committee members are considered independent under the listing standards of NASDAQ governing the qualifications of the members of compensation committees. None of the members of the committee are or have been officers or employees of the Company. In addition, no executive officer of the Company served on any board of directors or compensation committee of any entity (other than ACGL) with which any member of our Board of Directors serves as an executive officer. The compensation committee held two meetings during 2011.

*Executive Committee*

The executive committee of the Board of Directors may generally exercise all the powers and authority of the Board of Directors, when it is not in session, in the management of our business and affairs, unless the Board of Directors otherwise determines. The executive committee currently consists of Kewsong Lee (chairman), John L. Bunce, Jr., Constantine Iordanou and John M. Pasquesi. The executive committee did not meet during 2011.

*Finance and Investment Committee*

The finance and investment committee of the Board of Directors oversees the Board of Directors' responsibilities relating to the financial affairs of the Company and recommends to the Board of Directors financial policies, strategic investments and overall investment policy, including review of manager selection, benchmarks and investment performance. The finance and investment committee currently consists of John M. Pasquesi (chairman), John L. Bunce, Jr., Eric W. Doppstadt, Constantine Iordanou, Kewsong Lee, James J. Meenaghan, Brian S. Posner and John D. Vollaro. The finance and investment committee held four meetings during 2011.

*Nominating Committee*

The nominating committee of the Board of Directors is responsible for identifying individuals qualified to become directors and recommending to the Board of Directors the director nominees for consideration at each annual meeting of shareholders. The nominating committee currently consists of Kewsong Lee (chairman), John M. Pasquesi and Robert F. Works. All of such nominating committee members are considered independent under the listing standards of NASDAQ governing the qualifications of the members of nominating committees. The nominating committee held one meeting during 2011.

When the Board of Directors determines to seek a new member, whether to fill a vacancy or otherwise, the nominating committee will consider recommendations from Board members, management and others, including shareholders. In general, the committee will look for new members,

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including candidates recommended by shareholders, possessing superior business judgment and integrity who have distinguished themselves in their chosen fields of endeavor and who have knowledge and experience in the areas of insurance, reinsurance or other aspects of our business, operations or activities, as well as knowledge of the business environments in the jurisdictions in which we currently operate or intend to operate in the future. The Company endeavors to maintain a Board of Directors representing a diverse spectrum of expertise, background, perspective, race, gender and experience.

A shareholder who wishes to recommend a director candidate for consideration by the nominating committee should send such recommendation in writing to the Secretary, Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda and should comply with the advance notice requirements set forth in our bye-laws, as described under the caption "Shareholder Proposals for the 2013 Annual General Meeting." As described below in more detail, every submission must include a statement of the qualifications of the nominee, a consent signed by the candidate evidencing a willingness to serve as a director if elected, and a commitment by the candidate to meet personally, if requested, with the nominating committee. It is the policy of the committee to review and evaluate each candidate for nomination submitted by shareholders in accordance with the above procedures on the same basis as candidates that are suggested by our Board of Directors.

The nominating committee has not paid a fee to third parties in connection with the identification and evaluation of nominees, nor has it rejected a candidate recommended by a 5% shareholder, but, in each case, reserves the right to do so.

**Compensation Committee Interlocks and Insider Participation**

The compensation committee currently consists of John L. Bunce, Jr. (chairman), Kewsong Lee, James J. Meenaghan and Robert F. Works. None of the members of the committee are or have been officers or employees of the Company.

From time to time, in the ordinary course of our business, we may enter into transactions, including insurance and reinsurance transactions, with entities in which companies or funds affiliated with directors of ACGL may have an ownership or other interest. Following are transactions we have entered into with companies or funds affiliated with Warburg Pincus & Co. Kewsong Lee has served as a member and managing director of Warburg Pincus and a general partner of Warburg Pincus & Co. since January 1997.

During 2006, Arch Re (Bermuda) invested \$50 million in Aeolus LP ("Aeolus"), which operates as an unrated reinsurance platform that provides property catastrophe protection to insurers and reinsurers on both an ultimate net loss and industry loss warranty basis. In return for its investment, Arch Re (Bermuda) received an approximately 4.9% preferred interest in Aeolus and a pro rata share of certain founders' interests. Arch Re (Bermuda) made its investment in Aeolus on the same economic terms as a fund affiliated with Warburg Pincus, which had invested \$350 million in Aeolus. During 2011, the Company received a distribution of \$33.2 million from Aeolus. From time to time, we may receive further dividends and other distributions on our preferred interest on a proportionate basis.

In the ordinary course of its investment activities, the Company purchases municipal bonds enhanced by insurance provided by certain carriers, including National Public Finance Guarantee Corporation, a subsidiary of MBIA Inc. As of December 31, 2011, the Company held \$99.8 million of municipal bonds enhanced by insurance provided by MBIA net of prerefunded bonds that are escrowed in U.S. government obligations. Since January 2008, funds affiliated with Warburg Pincus have held more than 10% ownership interest in MBIA and also have appointed designees to serve on the Board of Directors of MBIA, including Kewsong Lee who is a director of ACGL.

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**Report of the Audit Committee of the Board of Directors**

The audit committee assists the Board of Directors in monitoring (1) the integrity of our financial statements, (2) the qualifications and independence of the independent registered public accounting firm, (3) the performance of our internal audit function and independent registered public accounting firm and (4) the compliance by the Company with legal and regulatory requirements.

It is not the responsibility of the audit committee to plan or conduct audits or to determine that ACGL's financial statements are in all material respects complete and accurate and in accordance with generally accepted accounting principles ("GAAP"). The financial statements are the responsibility of the Company's management. The Company's independent public registered accounting firm is responsible for expressing an opinion on these financial statements based on their audit. It is also not the responsibility of the audit committee to assure compliance with laws and regulations or with any codes or standards of conduct or related policies adopted by ACGL from time to time which seek to ensure that the business of ACGL is conducted in an ethical and legal manner.

The audit committee has reviewed and discussed the consolidated financial statements of ACGL and its subsidiaries set forth in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2011 ("2011 Annual Report"), management's annual assessment of the effectiveness of ACGL's internal control over financial reporting and PricewaterhouseCoopers LLP's opinion on the effectiveness of internal control over financial reporting, with management of ACGL and PricewaterhouseCoopers LLP, independent registered public accounting firm for ACGL.

The audit committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 61, "Communication with Audit Committees," as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, which includes, among other items, matters relating to the conduct of an audit of ACGL's financial statements. The audit committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP their independence.

Based on the review and discussions with management of ACGL and PricewaterhouseCoopers LLP referred to above and other matters the audit committee deemed relevant and appropriate, the audit committee has recommended to the Board of Directors that ACGL publish the consolidated financial statements of ACGL and its subsidiaries for the year ended December 31, 2011 in our 2011 Annual Report.

**AUDIT COMMITTEE**  
**James J. Meenaghan (chairman)**  
**Wolfe "Bill" H. Bragin**  
**Brian S. Posner**  
**Robert F. Works**

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**Compensation Discussion and Analysis**

*Introduction*

In this section, we discuss the principal aspects of our compensation program as it pertains to Constantine Iordanou, chairman of the board, president and chief executive officer of ACGL; John C.R. Hele, executive vice president, chief financial officer, chief risk officer and treasurer of ACGL; and our three other most highly-compensated executive officers in 2011, Marc Grandisson, chairman and chief executive officer of Arch Worldwide Reinsurance Group, Mark D. Lyons, chairman and chief executive officer of Arch Worldwide Insurance Group, and W. Preston Hutchings, president of Arch Investment Management Ltd. and senior vice president and chief investment officer of ACGL. We refer to these individuals throughout this section as the "named executive officers." Our discussion focuses on our compensation and practices relating to 2011.

The compensation committee of our Board of Directors (which we refer to as the "Committee" in this section) is responsible for determining and approving the individual elements of total compensation paid to the chief executive officer and our other executive officers and establishing overall compensation policies for our employees. The Committee also oversees the administration of executive compensation plans and certain employee benefits. Our Board of Directors appoints each member of the Committee and has determined that each is an independent director under the applicable standards of NASDAQ.

*Executive Summary*

We seek to attract and retain quality executives who will contribute to our long-term success and help us to manage all phases of the underwriting cycle. We seek to provide a compensation program that is driven by our overall financial performance and the increase in shareholder value. The principal features of our compensation programs and policies are summarized below. Please refer to the balance of this discussion for additional details.

**Key Principles.** The main principles of our strategy include the following: (1) compensation decisions are driven by performance, (2) increased compensation is earned through an employee's increased contribution and (3) a majority of total compensation should consist of variable, performance-based compensation.

**Emphasis on Performance-Based Incentives.** Our compensation program includes both fixed and variable compensation, with an emphasis on long-term compensation that is tied to Company performance. Although we do not apply rigid apportionment goals in our compensation decisions, our philosophy is that variable pay, in the form of annual cash incentive bonuses and share-based awards, should constitute the majority of total direct compensation.

**Pay-Mix.** Consistent with our philosophy of emphasizing variable, performance-based compensation, the base salaries for 2012 for all named executive officers of the Company were not increased from 2011 levels. Compensation for these executives was weighted significantly towards performance-based compensation in the form of a cash incentive bonus payment and share-based awards. Specifically, in 2011, for our named executive officers, we allocated compensation as follows: (1) base salaries ranging from approximately 12% to 31% of total compensation and (2) variable, performance-based compensation, in the form of annual cash incentive bonuses and long-term incentive share-based awards, ranging from approximately 69% to 88% of total compensation, as described below.

**Alignment of Pay-for-Performance.** The incentive compensation paid in 2011 reflected the substantially higher level of catastrophic activity in 2011 and the impact of continuing difficult market conditions in the insurance and financial markets. Specifically, on an overall basis, incentive compensation paid to senior employees who participate under the subjective Target

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Bonus Approach described below, including all of the named executive officers, was approximately 10% less in 2011 than 2010. The results for 2011 are also reflected in the level of the bonus pools determined under the Formula Approach, the quantitative formula based measure included in our Incentive Compensation Plan, which resulted in incentive compensation paid at approximately 90% of aggregate target bonus levels.

**Share-Based Awards.** A substantial component of variable compensation is granted in the form of multi-year vesting share-based awards, which make stock price appreciation over an extended period of time fundamental in realizing a compensation benefit. By emphasizing long-term performance through using long-term incentives, we align our executives' interests with our shareholders' interests and create a strong retention tool. The Company provides awards in the form of restricted share grants and share-settled share appreciation rights ("SARs") and stock options. Our plans do not permit granting of SARs or stock options at an exercise price below the fair market value on the grant date, do not allow for repricing or reducing the exercise price of a stock option or SAR, and also do not permit repurchases of out-of-the-money stock options. We set the exercise price of stock options and SARs at the closing share price on the date of grant.

**Key Metrics.** Specific factors affecting compensation decisions include key financial metrics, such as return on average common equity ("ROE"), growth in book value per share, after-tax operating income, combined ratio and investment performance, as well as achieving strategic objectives and supporting our values by promoting a culture of integrity through compliance with law and our ethics policies. We generally do not adhere to rigid formulas in determining the amount and mix of compensation elements. We employ flexibility in our compensation programs and in the evaluation process, which we believe enables us to respond to changes in the business environment. The Committee measures Company performance based on an analysis of our financial performance on an absolute basis and as compared to that of Selected Competitors (as defined below) reviewed annually by the Committee.

**Risk Management.** We believe we allocate our compensation between base salary and performance-based compensation opportunities in such a way as to not encourage excessive risk-taking. We emphasize variable compensation that is tied to Company performance. Furthermore, the Formula Approach included in our Incentive Compensation Plan, which is applied to employees in our insurance and reinsurance groups and is reviewed in connection with compensation decisions relating to our named executive officers, is based on underwriting performance during a given underwriting year. For each underwriting year, the bonus pool will be recalculated annually as actual underwriting results emerge, and any resultant payments will be made to the participants over a 10-year development period. Since much of our business requires multiple years to determine whether we have been successful in our assessment of risk, we have structured our plan in this manner so that incentive payments are made to employees as actual results become known.

**Double Trigger Change-in-Control Arrangements.** The employment agreements with our named executive officers require an involuntary or constructive termination of the executive's employment following the consummation of a change in control ("double trigger") in order for severance payments to be made. Similarly, the current annual award agreements for the named executive officers provide that unvested shares and unvested options/SARs do not vest immediately upon a change in control. Rather, in the event that the employee's employment is terminated by the Company other than for cause or by the employee for good reason within two years following the consummation of a change in control, unvested shares and unvested options/SARs would immediately vest, and the options/SARs would have a remaining term of 90 days from termination. These provisions are consistent with our objective of providing employees with a level of financial protection upon loss of employment.

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**Benefits.** ACGL seeks to provide benefit plans, such as medical coverage and life and disability insurance, consistent with applicable market conditions. Our health and welfare plans help ensure that the Company has a productive and focused workforce through reliable and competitive healthcare and other benefits. The Company credits only actual service with the Company towards benefits under the Company's benefit plans. The Company does not maintain any defined benefit retirement or pension plans. In addition, the Company provides our named executive officers with perquisites and other benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain key employees. In addition, certain tax regulations often subject our executives to taxation on the receipt of certain of these benefits. In certain of these situations, particularly in the case of those executives working outside their home country, we provide a tax gross-up payment to the executive to reimburse the executive for approximate amounts of additional tax liability the executive will need to pay as a result of receiving such benefits. The Company provides this benefit to be competitive with its peers in order to attract and retain talented individuals.

**Complementary Governance Policies and Practices.** The Company's compensation philosophy and related governance features are complemented by several specific elements that are designed to align our compensation with long-term shareholder interests, which are outlined below and described in more detail in this proxy statement.

*Clawback Policy.* The Company maintains a clawback policy covering all executive officers, including the chief executive officer, which provides for specified incentive-based compensation to be recouped by the Company in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws.

*Share Ownership Guidelines for Executives and Directors.* In an effort to further align the interests of the senior management team and the directors with the interests of shareholders, the Company has share ownership guidelines that require our senior executives and the directors to maintain designated levels of ownership of the common shares of ACGL.

*No Hedging Permitted.* Under the insider trading policy included in our Code of Business Conduct, our named executive officers, other members of senior management and our directors are not permitted to engage in hedging activities with respect to the Company's securities.

*Code of Business Conduct, Committee Charters and Corporate Governance Guidelines.* We have adopted a Code of Business Conduct, which describes our ethical principles, and charters of responsibilities for all of our standing Board committees. We have also adopted Corporate Governance Guidelines that cover issues such as executive sessions of our Board of Directors, director qualification and independence requirements, director responsibilities, access to management evaluation and communications with the Board in order to help maintain effective corporate governance at the Company.

*Executive Sessions.* The Committee meets in executive sessions (without management present) as necessary, particularly when administering any aspect of the compensation program for the chairman and chief executive officer of ACGL. Compensation matters in respect of the chairman and chief executive officer of ACGL, the chief financial officer of ACGL and the general counsel of Arch Capital Services Inc. are subject to ratification by our Board of Directors.

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***Compensation Objectives and Philosophy***

The objectives of our executive compensation program are to:

attract and retain quality executives who will contribute to our long-term success and, thereby, increase shareholder value;

enhance the individual executive's short and long-term performance;

align the interests of the executive with those of our shareholders; and

improve overall Company performance and support the ACGL culture of teamwork, underwriting discipline and commitment to the highest ethical standards.

ACGL seeks to provide a compensation program that is driven by our overall financial performance, the increase in shareholder value, the success of the operating unit or function directly affected by the executive's performance and the individual performance of the executive. The main principles of this strategy include the following: (1) compensation decisions are driven by performance, (2) increased compensation is earned through an employee's increased contribution and (3) a majority of total compensation should consist of variable, performance-based compensation.

We believe that the Company's compensation program provides a competitive mix of pay elements that align executive incentives with shareholder value. Our executive compensation program includes both fixed and variable compensation, with an emphasis on long-term compensation that is tied to Company performance. Although we do not apply rigid apportionment goals in our compensation decisions, our philosophy is that variable pay, in the form of annual cash incentive bonuses and share-based awards, should constitute the majority of total direct compensation. A substantial component of variable compensation is granted in the form of share-based awards, which make stock price appreciation fundamental in realizing a compensation benefit. By emphasizing long-term performance through using long-term incentives, we align our executives' interests with our shareholders' interests and create a strong retention tool.

We rely on the Committee's judgment in making compensation decisions for the named executive officers after reviewing the overall performance of our Company and evaluating an executive's performance during the year against established objectives, leadership qualities, scope of responsibilities and current compensation. Specific factors affecting compensation decisions include key financial metrics, such as ROE, growth in book value per share, after-tax operating income, combined ratio and investment performance, as well as achieving strategic objectives and supporting our values by promoting a culture of integrity through compliance with law and our ethics policies. We generally do not adhere to rigid formulas in determining the amount and mix of compensation elements. We employ flexibility in our compensation programs and in the evaluation process, which we believe helps to position us to respond to changes in the business environment.

***Elements of Compensation Program***

The four primary components of our executive compensation program are (1) base salary, (2) annual cash incentive bonuses, (3) long-term incentive share-based awards and (4) benefits.

**Base Salary.** Base salaries are designed to provide competitive levels of compensation to executives based upon their experience, duties and scope of responsibility. We pay base salaries because they provide a basic level of compensation and are necessary to recruit and retain executives. The Committee has the ability, subject to the terms of any employment agreement, to use base salary adjustments to reflect an individual's performance or changed responsibilities.



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Base salary levels are also important because we generally tie the target amount of incentive compensation to an executive's base salary. For example, annual target bonus opportunities are denominated as a percentage of the executive's base salary. In addition, as discussed above, the Committee emphasizes a mix of compensation weighted towards variable, performance-based compensation. At lower executive levels, base salaries represent a larger proportion of total compensation than at senior executive levels.

**Annual Cash Incentive Bonuses.** We use annual cash incentive bonuses as a short-term incentive to drive achievement of our annual performance goals. Specifically, annual cash incentive bonuses are designed to: (1) promote the achievement of financial goals, (2) support our strategic objectives and (3) reward achievement of specific performance objectives.

Annual bonus awards are designed to provide competitive levels of compensation to executives based upon their experience, duties and scope of responsibilities. The size of an executive's bonus award is influenced by these factors, corporate performance, individual performance and market practice. As an employee's responsibilities increase, the portion of his or her bonus that is dependent on corporate performance increases.

We initially denominate a target annual cash incentive bonus opportunity as a percentage of an executive's base salary. For each employee, his or her target is an approximation of the bonus payment that may be paid if performance goals and other expectations are attained by both the employee and the Company as a whole. These target annual bonuses are indicative and do not set a maximum limit. For each of the named executive officers, the target annual bonus opportunity is 100% of such executive's respective base salary.

Our annual bonus awards are paid under our Incentive Compensation Plan. The plan combines two sets of performance measures: (1) a qualitative judgment about progress and performance each year (referred to as the "Target Bonus Approach") and (2) a quantitative, formula-based measure (referred to as the "Formula Approach").

The Target Bonus Approach is applied to all the named executive officers, as well as to our investment management team, substantially all of the employees of Arch Capital Services Inc. and other designated officers. Under the Target Bonus Approach, the executive's bonus is discretionary and is determined by the Committee taking into account overall Company performance, department or function performance, individual performance and other measures deemed applicable by the Committee. The Committee measures Company performance based on an analysis of our financial performance on an absolute basis and as compared to that of Selected Competitors (as defined below) reviewed annually by the Committee. The financial metrics evaluated by the Committee in measuring Company performance include ROE, growth in book value per share, after-tax operating income, combined ratio and investment performance. Approved annual bonus awards are paid in cash in an amount reviewed and approved by the Committee and ordinarily paid in a single installment in the first quarter following the completion of a given year.

The Formula Approach is applied to executives included in our insurance and reinsurance groups and is reviewed in connection with compensation decisions relating to our named executive officers. Under the Formula Approach, a bonus pool is established for each of our insurance segment and our reinsurance segment based on underwriting performance during a given underwriting year. For each underwriting year, the bonus pool will be recalculated annually as actual underwriting results emerge, and any resultant payments will be made to the participants over a 10-year development period. Since much of our business requires multiple years to determine whether we have been successful in our assessment of risk, we have structured our plan in this manner so that incentive payments are made to employees as actual results become known. Under the Incentive Compensation Plan, if the Board of Directors or the Committee determines that the Formula Approach results in compensation levels that

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do not appropriately reflect the Company's underlying performance, then the Board of Directors or the Committee may terminate the Formula Approach or make adjustments to it that it deems appropriate.

Historically, we have allocated all of the Company's capital to the operating units for purposes of calculating ROE under our Incentive Compensation Plan, which is designed to encourage our underwriters to write insurance and reinsurance business that offers the highest risk-adjusted returns. Since 2006, rates in many of our lines of business declined. In order to reinforce ACGL's commitment to maintaining underwriting discipline, which involves writing only business that is adequately priced, the Board of Directors determined that a portion of the Company's capital would not be allocated to the operating units for purposes of calculating ROE under the Incentive Compensation Plan for the 2006-2011 underwriting years.

**Long-Term Incentive Share-Based Awards.** We emphasize long-term variable compensation at the senior executive levels because of our desire to reward effective long-term management decision making and provide the named executive officers with a future interest in the Company. Long-term incentives, which comprise a significant portion of executive compensation, are designed to focus attention on long-range objectives and future returns to shareholders, and are delivered to the named executive officers and other employees through share-based awards under our long-term incentive plans. Our long-term incentive share award plans provide for the grant to eligible employees of a wide range of share-based awards.

The Company provided grants in the form of stock options and restricted common share awards through 2006. Since May 2007, we have utilized another form of share-based award, SARs, in replacement of stock options in jurisdictions where this type of award is appropriate. SARs represent a right to be paid, upon exercise, an amount measured by the difference between the fair market value per share on the exercise date and the exercise price of the SAR (the "spread"), multiplied by the number of shares with respect to which the SAR is exercised, with the resultant amount paid in shares valued on the exercise date. The value of SARs to employees should be equivalent to that of options, and SARs are less dilutive to shareholders. In addition, the Company amended outstanding stock option agreements to allow for net exercise to the extent permitted or otherwise advisable under applicable legal and accounting principles.

Since 2007, the Company has shifted the mix of share-based awards to place greater emphasis on restricted shares. One of the key bases for this change is that restricted shares are a more predictable and flexible equity incentive than option and SAR awards. As a result, restricted shares are generally more meaningful to employees and, therefore, could provide a more significant incentive to remain with the Company during the vesting period.

Our share-based compensation is designed to align the interests of executives and shareholders by providing value to the executive as the share price increases. Due to the variability of the share price, the value of stock options, SARs and restricted share awards is dependent upon our overall results and how we are perceived by our shareholders and the marketplace. Based on the foregoing, the Company believes that share-based awards encourage executives and other employees to focus on behaviors and initiatives that should lead to an increase in the price of our common shares, which benefits all ACGL shareholders.

Share-based compensation grant levels and awards are reviewed and determined by the Committee periodically. Grants of share-based compensation are determined on the basis of a number of factors, including: (1) corporate performance on an absolute basis and relative to Selected Competitors and individual performance, (2) the executive's contribution to the Company's success and (3) competitive total compensation and long-term incentive grant levels as determined in the market.

Share-based awards granted to employees vest over a prescribed period, motivating executives to remain with us and sustain high corporate performance in order to increase the value of such awards.

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The May 2011 grants outlined in the "Grants of Plan-Based Awards" table will vest over a three-year period, which the Company believes is consistent with the Company's objectives to retain management and to align further the interests of management and the Company's shareholders. Options and SARs awarded to executives are granted at the closing price of the shares on the date of grant and, subject to earlier termination under certain circumstances as set forth in the award agreements, will expire 10 years from the grant date.

Each annual award agreement expressly provides for the acceleration of the vesting of the applicable award and, in the case of stock options, adjustments to the option/SAR exercise period in the event the award recipient ceases to be an employee of the Company in certain circumstances. Please refer to the description of our award agreements included below under the caption "Share-Based Award Agreements." The current annual award agreements for the named executive officers provide that, in the event that the employee's employment is terminated by the Company other than for cause or by the employee for good reason within two years following a change in control, unvested shares and unvested options/SARs would immediately vest, and the options/SARs would have a remaining term of 90 days from termination. Unlike single trigger provisions that provide for vesting immediately upon a change in control, the agreements require a double trigger, *i.e.*, the consummation of a change in control followed by an involuntary loss of employment or termination following an involuntary change in responsibilities within two years thereafter. This is consistent with the purpose of the provision, which is to provide employees with a level of financial protection upon loss of employment.

In addition, commencing with grants on and after September 2004, our share-based award agreements provide that, if an employee's employment terminates (other than for cause) after retirement age, unvested shares and unvested options would continue to vest pursuant to the normal vesting schedule so long as the employee does not engage in a competitive activity following retirement. However, the award agreements also provide that, if a retired employee does engage in a competitive activity, any unvested awards would be forfeited and the holder would have a reduced period in which to exercise vested options. These provisions are designed to help provide our retired employees with financial security so long as the Company's interests are protected.

**Benefits.** ACGL seeks to provide benefit plans, such as medical coverage and life and disability insurance, consistent with applicable market conditions. Our health and welfare plans help ensure that the Company has a productive and focused workforce through reliable and competitive healthcare and other benefits. Defined contribution retirement plans are provided for all employees according to local market conditions. Retirement plans help employees save and prepare for retirement. The named executive officers are eligible for the benefit plans provided to all other employees. The Company credits only actual service with the Company towards benefits under the Company's benefit plans. The Company does not maintain any defined benefit retirement or pension plans.

During 2011, certain members of senior management, including Mr. Lyons, participated in the Company's non-qualified defined contribution retirement plan, which provides additional retirement savings opportunities that cannot be achieved with tax-qualified plans due to limits on annual compensation. Participants in the non-qualified plan do not receive preferential earnings on their investments. Account balances are paid in cash following termination of employment in accordance with the terms of the plan. The principal benefit to the participating executives is that U.S. taxes are deferred until distribution of the funds. As described below under "Tax Considerations Sections 409A and 457A," commencing with the 2009 year, this benefit is no longer available to certain employees, including Messrs. Iordanou, Hele and Grandisson, due to changes in the governing law. In lieu of pension and matching contributions previously provided to these former participants through the non-qualified plan, we provide comparable benefits to these employees in the form of current cash payments subject to tax.

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In 2007, the Company adopted a broad based employee share purchase plan. The purpose of this plan is to provide employees with an opportunity to purchase common shares of ACGL through payroll deductions, thereby encouraging employees to share in the economic growth and success of the Company. The Company also provides a broad based matching gift program pursuant to which the Company matches eligible contributions by employees to qualified charitable organizations. During 2011, the Company made an aggregate of approximately \$269,359 in matching contributions on behalf of the named executive officers.

In addition, the Company provides our named executive officers with perquisites and other benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain key employees. In developing our guidelines for the administration of these various benefits, the Company reviews the job requirements of various positions and the anticipated business use of such benefits, as well as available market data. Similar benefits are generally provided by insurers and reinsurers for similarly situated employees and have been necessary for recruitment and retention purposes. These benefits primarily relate to those executives who work and reside in Bermuda and are typical of such benefits provided to expatriates located in Bermuda. Examples of these benefits include housing allowances, club memberships, the cost of tax preparation services and home leave for executives and family for those executives working outside their home country. In addition, certain tax regulations often subject our executives to taxation on the receipt of certain of these benefits. In certain of these situations, particularly in the case of those executives working outside their home country, we provide a tax gross-up payment to the executive to reimburse the executive for approximate amounts of additional tax liability the executive will need to pay as a result of receiving such benefits. The Company provides this benefit to be competitive with its peers in order to attract and retain talented individuals.

***Relationship Between Compensation Policies and Risk Management***

We believe our approach to evaluation of performance and the design of our compensation programs assists in mitigating excessive risk-taking that could harm our value or reward poor judgment by our executives. We believe we have allocated our compensation among base salary and performance-based compensation opportunities in such a way as to not encourage excessive risk-taking. We emphasize long-term compensation that is tied to Company performance. Furthermore, the Formula Approach included in our Incentive Compensation Plan, which is applied to employees in our insurance and reinsurance groups, is based on underwriting performance during a given underwriting year. For each underwriting year, the bonus pool will be recalculated annually as actual underwriting results emerge, and any resultant payments will be made to the participants over a 10-year development period. Since much of our business requires multiple years to determine whether we have been successful in our assessment of risk, we have structured our plan in this manner so that incentive payments are made to employees as actual results become known. In addition, a substantial component of variable compensation is granted in the form of multi-year vesting share-based awards, which make stock price appreciation over an extended period of time fundamental in realizing a compensation benefit.

The Company's compensation philosophy and related governance features are also complemented by several specific elements that are designed to align our compensation with long-term shareholder interests. These elements include a clawback policy covering all executive officers, including the chief executive officer, which provides for specified incentive-based compensation to be recouped by the Company in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws. In an effort to further align the interests of the senior management team and the directors with the interests of shareholders, the Company has share ownership guidelines that require our senior executives and the directors to maintain designated levels of ownership of the common shares of ACGL. In addition, under the insider trading policy included in our Code of Business Conduct, our named executive officers, other members of senior management and our directors are not permitted to engage in hedging activities with respect to the Company's securities.

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***Employment Agreements***

The Company has entered into employment agreements or letters with its chief executive officer and each of its other named executive officers. The employment agreements with our named executive officers require an involuntary or constructive termination of the executive's employment following the consummation of a change in control ("double trigger") in order for severance payments to be made. The terms of the employment agreements, including the severance benefit provisions, were structured to attract and retain persons believed to be key to our success, as well as to be competitive with compensation practices for executives in similar positions at companies of similar size and complexity. Please refer to "Employment Arrangements" below for a description of the employment agreements with our named executive officers.

***Clawback Policy***

The Company has a clawback policy covering all executive officers, including the chief executive officer. This policy provides that, in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Committee will review all incentive-based compensation that was paid to current or former executive officers during the three-year period preceding the required restatement. If any such incentive-based compensation would have been lower as a result of the restated financial results, the Committee will require the reimbursement of the incremental portion of the incentive-based compensation in excess of the compensation that would have been paid based on the restated financial results (to the extent permitted by applicable law). This policy will be interpreted in accordance with applicable rules of NASDAQ (or other securities exchange on which our common shares are listed from time to time).

***Matters Relating to Share Ownership and Share-Based Compensation***

***Share Ownership Guidelines.*** In an effort to further align the interests of the senior management team with the interests of shareholders, the Company has share ownership guidelines that require these executives to maintain designated levels of ownership of the common shares of ACGL. Specifically, these guidelines require common share ownership levels as follows: (1) chief executive officer of ACGL six times base salary; (2) named executive officers and other executives who file reports under Section 16 of the Exchange Act and certain other members of senior management designated from time to time four times base salary; and (3) other designated members of senior operating management three times base salary. Each executive has five years to comply with the guidelines, and stock options, SARs and unvested restricted shares/units do not count toward the requirement. See also "Director Compensation" for a description of share retention guidelines that require our non-employee directors to maintain designated levels of ownership of common shares of ACGL.

***No Hedging Permitted.*** Under the insider trading policy included in our Code of Business Conduct, our named executive officers, other members of senior management and our directors are not permitted to engage in hedging activities with respect to the Company's securities. Specifically, these insiders may not engage in short sales, purchases on margin or buying or selling put options or call options with respect to our securities.

***Options and SARs.*** Our plans do not permit granting of stock options or SARs at an exercise price below the closing price on the grant date and also do not allow for repricing or reducing the exercise price of a stock option or SAR. We also do not allow out-of-the-money options or SARs to be exchanged for cash or other property. We set the exercise price of stock options and SARs at the closing share price on the date of grant.

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***Certain Procedures Regarding Share-Based Compensation.*** The Committee approves all grants of share-based compensation to the named executive officers and other executives who file Section 16 reports with the SEC, and these awards also are generally approved by the full Board of Directors. The Committee approves annual share-based awards to other employees or, alternatively, may approve the size of the pool of such annual share-based awards to be granted to other employees, but may delegate to the chief executive officer and other members of senior management the authority to make and approve specific awards to other employees. In addition, the Committee has delegated to the chief executive officer or, in his absence, the chief financial officer, the authority to make and approve specific share-based awards to non-executives, principally new hires, who are not subject to Section 16 of the Exchange Act. The Committee reviews any grants made under this delegation on a regular basis.

It has been our practice to make annual grants of share-based compensation on the dates of regularly scheduled meetings of the full Board of Directors. Our process for establishing the grant date well in advance provides assurance that grant timing is not being manipulated for employee gain. It is our current intention to consider the determinations for annual grants on the date of the May meeting of our Board of Directors. Under our current practice, we have chosen the May meeting of our Board of Directors because we believe that more complete information will be publicly available at that time regarding the financial performance of our Selected Competitors and the related share-based awards granted by these companies for performance during the prior year, which will provide the Committee and the Board of Directors with additional useful data before making final determinations on share-based compensation. Generally, awards are granted to the named executive officers as part of the annual process, which encompassed approximately 418 company employees worldwide for awards granted in 2011 for 2010 performance. We may grant a small percentage of awards at other times throughout the year on the date of regularly scheduled meetings of the Committee or the full Board of Directors in connection with hiring or the promotion of an executive or special retention circumstances. In addition, pursuant to the delegation of authority by the Committee, the chief executive officer or, in his absence, the chief financial officer, may approve at other times grants of share-based awards to non-executive officers. In the case of a new hire, the awards have grant dates corresponding to the date the employment commences for the new hire.

***Tax Considerations***

***Section 162(m).*** Section 162(m) of the Code generally limits the deductible amount of annual compensation paid to the chief executive officer and three other most highly compensated executive officers (other than the chief financial officer) to no more than \$1,000,000 each. Since ACGL will not generally be subject to United States income tax, the limitation on deductibility will not directly apply to it. However, the limitation would apply to a United States subsidiary of ACGL if it employs the chief executive officer or one of the three other most highly compensated executive officers (other than the chief financial officer). Qualified performance-based compensation will be excluded from the \$1,000,000 limitation on deductibility. Our policy is to qualify, to the extent consistent with our compensation goals and programs, our executive officers' compensation for deductibility under applicable tax laws. Consistent with this policy, our Incentive Compensation Plan includes a provision pursuant to which payments under the plan may be deferred if it is necessary in order to avoid nondeductibility of the payments under Section 162(m) of the Code. However, the Committee believes that its primary responsibility is to provide a compensation program that will attract, retain and reward the executive talent necessary to our success. Consequently, the Committee recognizes that the loss of a tax deduction could be necessary in some circumstances due to the restrictions of Section 162(m). The Committee will review tax consequences as well as other relevant considerations in connection with compensation decisions.

***Sections 409A and 457A.*** Section 409A of the Code which governs deferred compensation arrangements, generally, provides that distributions of deferred compensation to our senior officers as a

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consequence of termination of employment may not be made sooner than six months after termination. Section 409A also made changes to a number of other areas, including the timing of elections and distributions with respect to deferred compensation. In late 2008, the Emergency Economic Stabilization Act added Section 457A of the Code. While Section 409A provides certain rules that must be complied with if deferred compensation arrangements are utilized, Section 457A generally prohibits U.S. taxpayers from deferring U.S. income tax on compensation attributable to services performed after December 31, 2008 for certain employers, including Bermuda-based employers such as ACGL and Arch Re (Bermuda). As a result, for periods on or after January 1, 2009, certain employees of ACGL and Arch Re (Bermuda), including Messrs. Iordanou, Hele and Grandisson, are no longer permitted to participate in the non-qualified defined contribution retirement plan. As required by Section 457A, the non-qualified plan provides that compensation that has been previously deferred by these employees will be distributed on or before December 31, 2017. In lieu of pension and matching contributions previously provided to these former participants through the non-qualified plan, we provide comparable benefits to these participants in the form of current cash payments subject to taxation. In addition, in light of Section 457A, and in an effort to maintain comparable benefits for all employees, the Company has provided certain of its Bermuda-based employees who are U.S. taxpayers with the opportunity to receive a portion of their annual incentive bonus in the form of SARs or restricted shares. There is no matching or additional company contributions associated with this election and, as a result, the Company will not incur any additional expense by providing this benefit.

**Excise Tax Matters.** If payments contingent upon a change in control are made to officers in an amount that equals or exceeds three times the individual's "base amount" (generally, an average of the individual's taxable compensation for the five years preceding the year in which the change in control occurs), then (1) all amounts paid in excess of one times the base amount will be subject to a 20% excise tax payable by the employees who are U.S. taxpayers and (2) such excess amount will be nondeductible to U.S.-based employers (if applicable). In order to avoid an onerous result for the Company's executives under the excise tax rules and to avoid the loss of a tax deduction by the Company (if applicable), during 2008 the Company included a "modified cut back" provision in the Company's employment agreements for all executives for whom excise tax implications had not been otherwise addressed. Under the modified cut back provision, (1) the executive will have his/her expectations under the severance agreement more closely met (*i.e.*, payments will be cut back only if he/she is better off than paying excise taxes); (2) the proposal does not result in the Company paying any additional amounts as there would be no gross-up payments; and (3) if the executive is cut back, the provisions could have the effect of preserving tax deductions that would have otherwise been lost. The modified cut back approach is consistent with the Company's existing policies as this provision is already included in the Company's Incentive Compensation Plan. See also "Employment Arrangements Constantine Iordanou" for a description of excise tax arrangements included in Mr. Iordanou's employment agreement.

**Committee Review**

The Committee reviews the performance of, and approves the compensation paid to, the chief executive officer and the other named executive officers. The chief executive officer assists in the reviews of the named executive officers other than himself through making recommendations on goals and objectives, evaluating performance and making recommendations regarding compensation. With this input from the chief executive officer with respect to the other named executive officers, the Committee uses discretion in determining compensation for these officers.

The Committee meets in executive sessions (without management present) as necessary, particularly when administering any aspect of the compensation program for the chairman and chief executive officer of ACGL. Compensation matters in respect of the chairman and chief executive

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officer of ACGL, the chief financial officer of ACGL and the general counsel of Arch Capital Services Inc. are subject to ratification by the Board of Directors.

In determining the amount of named executive officer compensation each year, the Committee reviews overall corporate performance, the performance of the business unit or function that the executive leads and an assessment of each executive's performance. In connection with establishing levels of base salary, annual incentives, long-term incentives and benefits, the Committee reviews annual reports on Form 10-K, proxy statements and other publicly available information for a representative sample of publicly-traded insurers and reinsurers which we believe compete directly with us for executive talent (the "Selected Competitors"). Many of these Selected Competitors are of generally similar size and have generally similar numbers of employees, product offerings and geographic scope.

Currently, the Selected Competitors are: ACE Limited, Alterra Capital Holdings Limited, AXIS Capital Holdings Limited, Endurance Specialty Holdings Ltd., Everest Re Group, Ltd., PartnerRe Ltd., Platinum Underwriters Holdings, Ltd., RenaissanceRe Holdings Ltd., Transatlantic Holdings, Inc., Validus Holdings Ltd., W.R. Berkley Corporation and XL Group plc.

***2011 Compensation Decisions***

The specific compensation decisions made for each named executive officer for 2011 reflect the performance of the Company against key financial and operational measurements. In evaluating the performance of the Company, we focus on two main benchmarks, operating return on average common equity, which measures the generation of earnings and the efficient use of capital, and growth in book value per share, which creates long-term value for shareholders. We believe that we performed reasonably well against both benchmarks in 2011 as we continue to operate in a challenging underwriting and investment environment. Operating return on average common equity was 7.2% in 2011, down from 12.0% in 2010. Book value per common share was \$32.03 at the end of 2011, a 6.8% increase from \$29.99 at the end of 2010, reflecting the combined impact of underwriting results, investment returns and common share repurchases.

Other performance measures reflect the challenging market conditions. After-tax operating income available to shareholders was \$303.6 million, or \$2.20 per share, in 2011, a per share decrease of 29.5% from 2010. Results for 2011 included a higher amount of losses from catastrophic events when compared with 2010. Our results also reflected the impact of current insurance and reinsurance market conditions and the impact of lower interest yields on the investment portfolio. The Company's combined ratio under GAAP was 98.3% in 2011, compared to 92.5% in 2010. Based on modest improvement in the rate environment in 2011, we increased gross premiums written to \$3.44 billion in 2011, an increase of 5.2% compared to 2010, and our net premiums written to \$2.67 billion, a 6.5% increase over 2010. In addition, A.M. Best Co. upgraded the financial strength ratings of our principal insurance and reinsurance subsidiaries to A+ ("Superior") from A ("Excellent"), and Standard & Poor's, Moody's and Fitch Ratings affirmed our financial strength ratings at "A+" or the equivalent.

Please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2011 Annual Report for an analysis of our financial and operational performance during 2011. After-tax operating income available to common shareholders, a non-GAAP financial measure, is defined as net income available to common shareholders, excluding net realized gains or losses, net impairment losses included in earnings, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses, net of income taxes. The reconciliation of such measure to net income available to common shareholders (the most directly comparable GAAP financial measure) is included in our 2011 Annual Report.

On an overall basis, incentive compensation paid to senior employees who participate under the subjective Target Bonus Approach, including all of the named executive officers, was approximately



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10% less in 2011 than 2010. The results for 2011 are also reflected in the level of the bonus pools determined under the Formula Approach, the quantitative formula based measure included in our Incentive Compensation Plan, which resulted in incentive compensation paid at approximately 90% of aggregate target bonus levels. The incentive compensation paid in 2011 reflected the substantially higher level of catastrophic activity in 2011 and the impact of continuing difficult market conditions in the insurance and financial markets.

Consistent with our philosophy of emphasizing variable, performance-based compensation, the base salaries for 2012 for all named executive officers of the Company were not increased from 2011 levels.

In determining the performance-based portion of Mr. Iordanou's compensation, the Committee evaluated Mr. Iordanou's contributions toward creation and enhancement of shareholder value by considering a number of factors, including the Company's financial results achieved under his leadership over both the short-term and the long-term. The Committee focused on the fact that the Company continued to maintain underwriting discipline during continuing difficult market conditions. The Committee also reviewed the Company's pursuit of strategic initiatives under Mr. Iordanou and the execution of the Company's common share repurchase program. The Committee did not apply a formula or assign performance measures relative weights but made a subjective determination after considering these measures collectively.

In light of the Committee's assessment, and as a result of his performance, Mr. Iordanou received a bonus of \$3,150,000. Under an election program offered by the Company, Mr. Iordanou elected to receive 50% of his bonus in cash and 50% in the form of SARs on terms provided under the election, namely, 161,636 fully vested SARs exercisable for a 10-year period. The per share exercise price is \$37.05, which was the closing price on the date of grant, and the SAR was valued in same manner as valued for financial reporting purposes. In May 2011, Mr. Iordanou also was granted long-term incentive awards in the form of 100,065 restricted common shares and 100,065 SARs with a per share exercise price of \$33.91, each of which will vest in three equal annual installments commencing on the first anniversary of the grant date. These awards, which are reflected in the "Summary Compensation Table," were awarded following an assessment of Mr. Iordanou's performance during 2010. As noted above, the Committee expects to consider determinations for share-based compensation for 2011 performance at meetings scheduled to be held in May 2012.

In determining the performance-based compensation of our other named executive officers, the Committee evaluated overall performance of the Company and their contributions to that performance, as well as the performance of the business or function that each named executive officer leads. The Committee did not apply a formula or assign performance measures relative weights but made a subjective determination after considering these measures collectively.

With respect to Mr. Hele, the Committee reviewed his key roles in financial reporting, enterprise risk management, regulatory matters and capital management. In addition, the Committee considered that the other aspects of the financial function for the Company, which involved, among other things, investor relations and ratings agency matters, performed well under Mr. Hele's leadership during the year.

In determining the performance-based compensation of Messrs. Grandisson and Lyons, who oversee the Company's reinsurance operations and insurance operations, respectively, the Committee reviewed the profitability of the reinsurance group and the insurance group, including their respective groups' effectiveness in managing the underwriting cycle. As part of that analysis, the Committee reviewed the estimated bonus pool determined under the Formula Approach for the 2011 and prior underwriting years, which is based on various ROE targets. In reviewing these calculations, the Committee recognized that the estimated bonus pool provides only a current indication of underwriting performance as the bonus pool for the underwriting year will be recalculated annually over a 10-year development period as actual results emerge. The Committee also reviewed Mr. Grandisson's and

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Mr. Lyons' oversight of key operational matters for their respective groups, including those relating to overall management, including expense management, risk management and infrastructure. In addition, the Committee considered the Company's pursuit of strategic initiatives under the leadership of Mr. Grandisson and Mr. Lyons, which initiatives will provide us with opportunities to access new sources of business over the long term and further develop our existing businesses.

In determining the performance-based portion of Mr. Hutchings' compensation, the Committee reviewed the performance of the Company's internal and external investment portfolios and Mr. Hutchings' oversight with respect to increasing the Company's allocations to emerging market and global multi-asset funds and equity securities. In addition, the Committee reviewed Mr. Hutchings' management of the Company's expanded internal investment function and other contributions, including his effective implementation of the Company's common share repurchase program.

In light of these assessments, the named executive officers received the following annual incentive cash bonuses for performance during 2011: Mr. Hele \$540,000; Mr. Grandisson \$1,400,000; Mr. Lyons \$910,000; and Mr. Hutchings \$720,000. In addition, in May 2011, these named executive officers were granted the following long-term incentive share-based awards (with the same principal terms included in Mr. Iordanou's May 2011 grants, as described above): Mr. Hele 18,000 SARs and 18,000 restricted common shares; Mr. Grandisson 24,000 SARs and 24,000 restricted common shares; Mr. Lyons 18,900 SARs and 18,900 restricted common share units; and Mr. Hutchings 16,800 SARs and 16,800 restricted common shares. In order to limit the impact of the deductibility cap under Section 162(m) of the Code, the restricted common share units granted to Mr. Lyons will be settled in common shares after the termination of his employment as provided in the award agreement (see "Tax Considerations Section 162(m)"). These share-based awards, which are reflected in the "Summary Compensation Table," were awarded following an assessment of the executives' performance during 2010. As noted above, the Committee expects to consider determinations for share-based compensation for 2011 performance at meetings scheduled to be held in May 2012.

As indicated above, and consistent with the Committee's general compensation philosophy for senior executives, compensation for the named executive officers was weighted significantly towards performance-based compensation in the form of a cash annual incentive bonus payment and share-based awards. Specifically, in 2011, for our named executive officers, we allocated compensation as follows: (1) base salaries ranging from approximately 12% to 31% of total compensation and (2) variable, performance-based compensation, in the form of annual cash incentive bonuses and long-term incentive share-based awards, ranging from approximately 69% to 88% of total compensation. For this purpose, the percentages are based on total compensation that includes the base salary and cash annual incentive bonus payments described above and the full grant date value of the May 2011 share-based awards calculated in accordance with prescribed accounting rules.

**Report of the Compensation Committee on the Compensation Discussion and Analysis**

The Committee reviewed and discussed the "Compensation Discussion and Analysis" section included in this proxy statement with management. Based on such review and discussion, the Committee recommended to the Board of Directors that the "Compensation Discussion and Analysis" section be included in the 2011 Annual Report and this proxy statement for filing with the SEC.

**COMPENSATION  
COMMITTEE**  
**John L. Bunce, Jr. (chairman)**  
**Kewsong Lee**  
**James J. Meenaghan**  
**Robert F. Works**

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The following table provides information concerning the compensation for services in all capacities earned by the named executive officers for fiscal year 2011.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Change in Pension Value and Non-Equity-qualified Incentive-Deferred Compensation		All Other Compensation (\$)	Total (\$)
						Non-Equity-qualified Incentive-Deferred Compensation (\$)	Change in Pension Value and Non-Equity-qualified Incentive-Deferred Compensation (\$)		
Constantine Iordanou Chairman of the Board, President and Chief Executive Officer of ACGL and Class II Director of ACGL	2011	1,000,000	3,150,000(2)	3,393,504	975,874			768,034(3)	9,287,412
	2010	1,000,000	3,500,000	3,151,260	964,673			852,525	9,468,458
	2009	1,000,000	3,200,000(2)	2,213,910	677,954			792,815	7,884,679
John C.R. Hele(4) Executive Vice President, Chief Financial Officer, Chief Risk Officer and Treasurer of ACGL	2011	600,000	540,000	610,434	175,543			403,184(5)	2,329,161
	2010	600,000	600,000	570,228	174,600			502,456	2,447,284
	2009	450,000	450,000	1,832,638	799,969			562,770	4,095,377
Marc Grandisson Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group	2011	625,000	1,400,000	813,912	234,058			360,260(6)	3,433,230
	2010	625,000	1,250,000	750,300	229,684			430,148	3,285,132
	2009	625,000	1,000,000	439,888	134,705			364,336	2,563,929
Mark D. Lyons Chairman and Chief Executive Officer of Arch Worldwide Insurance Group	2011	500,000	910,000	640,956	184,320			203,103(7)	2,438,379
	2010	500,000	1,000,000	600,240	183,747			173,459	2,457,446
	2009	500,000	900,000	439,888	134,705			212,511	2,187,104
W. Preston Hutchings President of Arch Investment Management Ltd. and Senior Vice President and Chief Investment Officer of ACGL	2011	450,000	720,000	569,738	163,840			70,496(8)	1,974,074
	2010	450,000	800,000	412,665	126,326			105,910	1,894,901
	2009	450,000	700,000	295,188	90,394			82,770	1,618,352

- (1) The amounts shown in these columns represent the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 Compensation Stock Compensation, excluding the effect of forfeitures. We have computed the estimated grant date fair values of share-based compensation related to stock options using the Black-Scholes option valuation model having applied the assumptions set forth in the notes accompanying our financial statements. See note 17, "Share-Based Compensation," of the notes accompanying our consolidated financial statements included in our 2011 Annual Report. With respect to Mr. Hele, the share-based awards reflected for 2009 in the above table include initial awards granted upon the commencement of his employment.
- (2) Mr. Iordanou elected to receive 50% of his approved bonus for 2011 and 2009 in the form of a SAR under an election provided by the Company for Bermuda-based employees. On February 29, 2012 and February 25, 2010, Mr. Iordanou was awarded 161,636 SARs and 212,253 SARs, respectively, with a value equal to \$1.575 million and \$1.6 million, respectively. The SARs are fully vested and will expire 10 years from the date of grant. No such election was made in 2010.
- (3) The amount for Mr. Iordanou includes: (a) contributions to our defined contribution plans of \$30,185 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$109,475, which, due to changes in applicable tax laws, was made outside the plan; (b) a housing allowance in Bermuda of \$160,530; (c) reimbursement for additional tax costs as provided for under his employment agreement (the "Iordanou Employment Agreement Tax Provision") of \$166,005; (d) payment of Bermuda social insurance in the amount of \$1,581; and (e) an aggregate of \$141,050, for tax gross-up payments to reimburse the executive for the payment of taxes with respect to the following: commuting costs, family travel and home leave policies, certain club dues and the Iordanou Employment Agreement Tax Provision. The

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additional tax costs and related tax gross-up component that relate to the Iordanou Employment Agreement Tax Provision are subject to adjustment up or down based upon the executive's final tax return filed for the year (accordingly, such amounts reported for 2010 and 2009 have been adjusted). The calculation of the incremental cost for Company-provided aircraft use is based on the variable operating costs to the Company for each flight, including hourly charges, fuel variable charges and applicable international fees. In addition, the total amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Iordanou: Company-provided aircraft for commuting to the Company's offices, an automobile allowance, tax preparation services, club dues, life insurance premiums and reimbursement of certain travel expenses of his spouse incurred in connection with a Company meeting.

Many of the above listed benefits are provided to expatriates residing in Bermuda. For a description of these benefits and the Company's other employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."

- (4) Mr. Hele has been executive vice president, chief financial officer and treasurer of ACGL since April 1, 2009 and became chief risk officer on February 29, 2012.

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(5) The amount for Mr. Hele includes: (a) contributions to our defined contribution plans of \$30,185 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$51,475, which, due to changes in applicable tax laws, was made outside the plan; (b) a housing allowance in Bermuda of \$121,925; (c) reimbursement for additional tax costs as provided for under his employment agreement (the "Hele Employment Agreement Tax Provision") of \$85,295; (d) payment of Bermuda social insurance in the amount of \$1,581; and (e) an aggregate of \$67,297 in tax gross-up payments to reimburse the executive for the payment of taxes with respect to the following: commuting costs, family travel and home leave policies, club dues and the Hele Employment Agreement Tax Provision. The additional tax costs and related tax gross-up component that relate to the Hele Employment Agreement Tax Provision is subject to adjustment up or down based upon the executive's final tax return filed for the year (accordingly, such amount reported for 2009 has been adjusted). In addition, the total amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Hele: use of commercial and Company-provided aircraft for commuting to the Company's offices, automobile allowance, tax preparation services, family travel and home leave policies, club dues, life insurance premiums and reimbursement of certain travel expenses of his spouse incurred in connection with a Company meeting.

Many of the above listed benefits are provided to expatriates residing in Bermuda. For a description of these benefits and the Company's other employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."

(6) The amount for Mr. Grandisson includes: (a) contributions to our defined contribution plans of \$20,000 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$55,100, which, due to changes in applicable tax laws, was made outside the plan; (b) a housing allowance in Bermuda of \$208,213; (c) fees for children's schooling of \$36,185; and (d) payment of Bermuda social insurance in the amount of \$1,581. In addition, the amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Grandisson: family travel and home leave policies, an automobile allowance, tax preparation services, club dues, life insurance premiums and reimbursement of certain travel expenses of his spouse incurred in connection with a Company meeting.

Many of the above listed benefits are provided to expatriates residing in Bermuda. For a description of these benefits and the Company's other employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."

(7) The amount for Mr. Lyons includes: (a) \$67,160 in contributions to our defined contribution plans (b) a housing allowance of \$50,608; (c) \$26,015 for use of commercial aircraft for commuting to the Company's offices; (d) \$57,922 in tax gross-up payments for housing and commuting costs; and (e) life insurance premiums.

For a description of the Company's employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."

(8) The amount for Mr. Hutchings includes: (a) contributions to our defined contribution plans of \$20,000 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$29,725; (b) payment of Bermuda social insurance in the amount of \$1,581; (c) club dues; (d) life insurance premiums; and (e) reimbursement of certain travel expenses of his spouse incurred in connection with a Company meeting. Mr. Hutchings' base salary is paid to him in Bermuda dollars, which are convertible into U.S. dollars at a rate of 1:1.

For a description of the Company's employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."

**Grants of Plan-Based Awards**

The following table provides information concerning grants of share-based awards made to our named executive officers in fiscal year 2011:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(2)
		Threshold	Maximum	Threshold	Maximum				
Constantine Iordanou	5/6/2011					100,065			3,393,504

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	5/6/2011		100,065	33.91	975,874
John C.R. Hele	5/6/2011	18,000			610,434
	5/6/2011		18,000	33.91	175,543
Marc Grandisson	5/6/2011	24,000			813,912
	5/6/2011		24,000	33.91	234,058
Mark D. Lyons	5/6/2011	18,900			640,956
	5/6/2011		18,900	33.91	184,320
W. Preston Hutchings	5/6/2011	16,800			569,738
	5/6/2011		16,800	33.91	163,840

(1)

The May 2011 grants indicated above were awarded under the 2007 Long Term Incentive and Share Award Plan in the form of share-settled SARs and restricted share awards. These awards will vest over a three-year period. The SARs were granted at the closing price of the shares on the date of grant and, subject to the award agreements, will expire 10 years from the grant date. The restricted share awards shown in the table above were granted in the form of restricted common shares, except for Mr. Lyons' award, which was granted in the form of restricted common share units that will be settled in common shares after the termination of his employment as provided in the award agreement.

(2)

The amounts shown in this column represent the grant date fair value of the underlying award computed in accordance with accounting guidance governing share-based compensation arrangements as discussed in note 17, "Share-Based Compensation", of the notes accompanying our consolidated financial statements included in our 2011 Annual Report.

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The following table provides information concerning unexercised options and stock that has not vested for each named executive officer outstanding as of December 31, 2011.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)(2)	Market Value of Units of Stock That Have Not Vested (\$)(3)	Equity Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market Payout Number of Shares, Units or Rights That Have Not Vested (\$)
Constantine Iordanou	1,200,000(4)(5)			7.83	1/1/2012	222,315	8,276,787		
	360,000(7)			13.00	9/22/2014				
	450,000(6)			18.76	2/23/2016				
	135,000(7)			23.71	5/11/2017				
	135,000(7)			23.10	5/9/2018				
	76,500(7)	38,250(7)		19.29	5/6/2019				
	212,253(7)			24.67	2/25/2020				
	42,000(7)	84,000(7)		25.01	5/5/2020				
		100,065		33.91	5/6/2021				
John C.R. Hele	12,001	39,999		18.58	4/1/2019	65,796	2,449,585		
	15,201	7,599		19.29	5/6/2019				
	7,602	15,198		25.01	5/5/2020				