



**ARCH CAPITAL GROUP LTD.  
Compensation Committee Charter**

**Organization**

The Compensation Committee of the Board of Directors (the "Compensation Committee") of Arch Capital Group Ltd. (the "Company") shall consist of no fewer than three members. The members of the Compensation Committee shall meet the then independence criteria of (i) The NASDAQ Stock Market LLC ("NASDAQ") (except as otherwise permitted by the rules of NASDAQ) and (ii) the U.S. Securities and Exchange Commission (the "SEC") (except as otherwise permitted by the rules of the SEC) and shall otherwise be independent of management and the Company and free of any relationship which, in the opinion of the Board of Directors, would interfere with the Director's exercise of independent judgment as a Compensation Committee member.

Any action taken by the Committee during a period in which one or more of the members subsequently is determined to have failed to meet the membership qualifications shall nevertheless constitute duly authorized actions of the Committee and shall be valid and effective for all purposes, except to the extent required by law or determined appropriate by the Committee to satisfy regulatory standards.

The members of the Compensation Committee shall be appointed by and may be replaced by the Board of Directors, with or without cause, for any reason.

**Purpose**

The Compensation Committee, in its capacity as a committee of the Board of Directors, has overall responsibility for approving and evaluating, and making recommendations to the Board regarding compensation plans, policies and programs of the Company for senior executives (as defined below), as well as compensation parameters for all other employees of the Company and its controlled subsidiaries.

The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's proxy statement.

**Meetings**

The Compensation Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require. The Compensation Committee shall report at least annually to the Board of Directors and whenever the Board of Directors may require. The Compensation Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board of Directors.

## **Committee Authority and Responsibilities**

1. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to senior executive compensation, and evaluate senior executive performance in light of those goals and objectives (it being understood that senior executive includes the Company's Chief Executive Officer ("CEO"), all other executive officers, as defined under the Securities Exchange Act of 1934, and related rules, and other members of senior management as designated by the Committee). In determining the long-term incentive component of senior executive compensation, the Compensation Committee may consider the Company's performance and relative shareholder return, the value of similar incentive awards to senior executives at comparable companies and the awards given to senior executives in past years. The Company's CEO may not be present during any voting or deliberations regarding his or her compensation.
2. The Compensation Committee shall review and approve, for the senior executives of the Company, (a) the annual base salary level, (b) the annual incentive compensation level, (c) the long-term incentive compensation level, (d) equity-based compensation awards, (e) employment agreements, severance arrangements, and change in control agreements/provisions and any amendments thereto, and (f) any special or supplemental benefits (it being understood that such compensation matters in respect of the Chairman of the Company, the President and CEO of the Company, the Chief Financial Officer of the Company, the General Counsel of Arch Capital Services Inc., and other members of senior management as designated by the Board of Directors are subject to ratification by the Board of Directors).
3. The Compensation Committee shall review and approve for all other employees of the Company and its controlled subsidiaries the applicable compensation parameters, which may in the discretion of the Compensation Committee be measured in relation to a set of peer organizations designated by the Compensation Committee.
4. The Compensation Committee may authorize the CEO or another senior executive to determine compensation, including awards, for non-senior executives within the parameters set by the Committee in paragraph 3.
5. The Compensation Committee shall review, as needed, how and to what extent executive compensation structures are conducive to appropriate risk-taking and otherwise take into account enterprise risk management, and shall make appropriate recommendations to the Board of Directors as needed.

6. The Compensation Committee shall recommend the form and amount of director compensation for approval by the Board of Directors.
7. The Compensation Committee may form and delegate authority to subcommittees when appropriate.
8. The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.
9. The Compensation Committee shall review and assess compliance with all applicable rules and regulations of the SEC and NASDAQ specifically applicable to the composition and responsibilities of the Compensation Committee.
10. The Compensation Committee shall perform such other activities as the Board of Directors may from time to time deem necessary or appropriate.

#### **Appointment of External Advisers**

1. The Compensation Committee is authorized to engage outside counsel and other advisers as it determines to be necessary or appropriate to carry out its duties. The Compensation Committee shall have the sole authority to appoint, retain, engage, oversee and terminate any independent or outside legal counsel, compensation consultants, accountants or other advisers used to assist in the evaluation of senior executive compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Company shall provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Compensation Committee.
2. The Compensation Committee may select, or receive advice from, any compensation adviser it prefers, including ones that are not independent. However, the Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Compensation Committee, other than in-house legal counsel, only after taking into consideration the independence factors under applicable NASDAQ listing rules and any other factors deemed relevant by the Committee.
3. For the avoidance of doubt, the Compensation Committee is not required to implement or act consistently with the advice or recommendations of any compensation consultant, legal counsel or other adviser to the Compensation Committee. The retention of any outside advisers shall not

affect the ability or obligation of the Compensation Committee to exercise its own judgment in fulfillment of its duties.