

Effective as of: September 24, 2009

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

Organization

The Compensation Committee of the Board of Directors of Arch Capital Group Ltd. (the “Company”) shall consist of no fewer than four members. The members of the Compensation Committee shall meet the then independence requirements of The NASDAQ Stock Market LLC (“NASDAQ”) (except as otherwise permitted by the then independence requirements of NASDAQ) 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.

The members of the Compensation Committee shall be appointed by and may be replaced by the Board of Directors.

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, officer compensation plans, policies and programs of the Company.

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.

Committee Authority and Responsibilities

1. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant used to assist in the evaluation of senior executive (i.e. the Chief Executive Officer and all other officers, as defined under Section 16 of the Securities Exchange Act of 1934, and related rules) compensation and shall have sole authority to approve the consultant’s fees and other retention terms.
2. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to senior executive compensation, evaluate senior executive performance in light of those goals and objectives, and recommend to the Board of Directors senior executive compensation levels based on this evaluation. In determining the long-term incentive component of senior executive compensa-

tion, 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.

3. The Compensation Committee shall engage outside counsel and other advisors as it determines to be necessary or appropriate to carry out its duties.
4. 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) stock option and stock grant awards, (e) employment agreements, severance arrangements, and change in control agreements/provisions, and (f) any special or supplemental benefits (it being understood that such compensation matters in respect of the Chairman, the President and Chief Executive Officer and the Chief Financial Officer of the Company and the General Counsel of Arch Capital Services Inc. shall be subject to ratification by the Board of Directors).
5. The Compensation Committee shall annually review and make recommendations to the Board of Directors with respect to the compensation of other officers.
6. The Compensation Committee may form and delegate authority to subcommittees when appropriate.
7. The Compensation Committee may review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
8. The Compensation Committee shall review and assess compliance with all applicable rules and regulations of the Securities and Exchange Commission and NASDAQ specifically applicable to the composition and responsibilities of the Compensation Committee.
9. The Compensation Committee shall perform such other activities as the Board of Directors may from time to time deem necessary or appropriate.