ARCH CAPITAL GROUP LTD.
Form PRE 14A
March 16, 2018

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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 ý
Filed by a Party other than the Registrant o
Check the appropriate box:
ý Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
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o Soliciting Material under §240.14a-12
ARCH CAPITAL GROUP LTD.
(Name of Registrant as Specified In Its Charter)
Not Applicable
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
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Arch Capital Group Ltd.
Waterloo House, Ground Floor
100 Pitts Bay Road
Pembroke HM 08, Bermuda

T: (441) 278-9250

www.archcapgroup.com

March 28, 2018

DEAR FELLOW SHAREHOLDER:

You are cordially invited to join Arch Capital Group Ltd.'s Board of Directors and senior leadership at the 2018 annual meeting of shareholders, which will be held at 8:45 a.m. local time on Wednesday, May 9, 2018. The meeting will be held at our offices located at Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda.

The attached notice of the 2018 annual meeting of shareholders and proxy statement provide important information about the meeting and will serve as your guide to the business to be conducted at the meeting. Your vote is very important to us. We urge you to read the accompanying materials regarding the matters to be voted on at the meeting and to submit your voting instructions by proxy. The Board of Directors recommends that you vote "FOR" each of the proposals as listed on the attached notice.

You may submit your proxy either over the telephone or the Internet. In addition, if you have requested or received a paper copy of the proxy materials, you can vote by marking, signing, dating and returning the proxy card or voter instruction form sent to you in the envelope accompanying the proxy materials.

Thank you for your continued support.

Sincerely,
CONSTANTINE IORDANOU
Chairman of the Board

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NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

When: Wednesday, May 9, 2018, 8:45 a.m., local time

Where: Waterloo House, Ground Floor, 100 Pitts Bay Road,
Pembroke HM 08, Bermuda

We are pleased to invite you to the Arch Capital Group Ltd. 2018 Annual Meeting of Shareholders.

Items of Business:

1. Elect four Class II Directors to serve for a term of three years or until their respective successors are elected and qualified (Item 1);
2. Advisory vote to approve named executive officer compensation (Item 2);
3. Appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2018 (Item 3);
4. Approve the Arch Capital Group Ltd. 2018 Long-Term Incentive and Share Award Plan (Item 4);
5. Approve a three-for-one common share split effective on June 18, 2018 (Item 5);
6. Elect certain individuals as Designated Company Directors of certain of our non-U.S. subsidiaries, as required by our bye-laws (Item 6);
7. Conduct other business if properly raised.

You are eligible to vote if you were a shareholder of record at the close of business on March 14, 2018.

Susie Tindall
Secretary
Hamilton Bermuda
March 28, 2018

Voting Information

Ensure that your shares are represented at the 2018 Annual Meeting of Shareholders by voting in one of several ways:

Go to the website listed on your proxy card or Notice to vote VIA THE INTERNET.

Call the telephone number specified on your proxy card or on your Voting Instruction Form to vote BY TELEPHONE.

If you received paper copies of your proxy materials, mark, sign, date and return your proxy card in the postage-paid envelope provided to vote BY MAIL.

Scan the QR Code on your proxy card, Notice or Voting Instruction Form to vote with your MOBILE DEVICE.

Attend the meeting to vote IN PERSON (see Annual Meeting Attendance in Annex A—General Information).

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

This proxy statement and 2017 Annual Report to Shareholders are available at www.proxyvote.com. On or about March 29, 2018, 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 2017 Annual Report to Shareholders. The Notice of Internet Availability also will instruct you on how to access and submit your proxy through the Internet, by phone or with your mobile device.

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PROXY SUMMARY

This summary highlights information contained in the Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement before voting. As used in this report, "we," "us," "our," "Arch" or the "Company" refer to the consolidated operations of Arch Capital Group Ltd. ("Arch Capital") and its subsidiaries. For more complete information regarding the Company's 2017 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

ROADMAP OF VOTING MATTERS

Shareholders are being asked to vote on the following matters at the 2018 Annual Meeting of Shareholders:

	Our Board's Recommendation
ITEM 1 - Election of Directors (page 9) The Board and the Nominating Committee believe that the four Director nominees possess the necessary qualifications and experience to provide quality advice and counsel to the Company's management and effectively oversee the business and the long-term interests of shareholders.	FOR each Director Nominee
ITEM 2 - Advisory Vote to Approve Named Executive Officer Compensation (page 29) The Company seeks a non-binding advisory vote to approve the compensation of its named executive officers as described in the Compensation Discussion and Analysis beginning on page 30 and the Compensation Tables beginning on page 49. The Board values shareholders' opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.	FOR
ITEM 3 - Appointment of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm (page 69) The Audit Committee and the Board believe that the retention of PricewaterhouseCoopers LLP to serve as the Independent Auditors for the fiscal year ending December 31, 2018, is in the best interests of the Company and its shareholders. As required by Bermuda law, shareholders are being asked to appoint the Audit Committee's selection of the Independent Auditors.	FOR One Year
ITEM 4 - Approval of the Arch Capital Group Ltd. 2018 Long-Term Incentive and Share Award Plan (page 70) On February 28, 2018, with the recommendation of the Compensation Committee, the Board adopted the 2018 Long-Term Incentive and Share Award Plan (the "2018 Plan"), subject to shareholder approval. The Board and the Compensation Committee believe that the 2018 Plan provides for competitive compensation opportunities, encourages long-term service, recognizes individual contributions and rewards achievement of performance goals, and promotes the creation of long-term value for shareholders by aligning the interests of such persons with those of shareholders.	FOR
ITEM 5 - Approval of Three-For-One Common Share Split (page 78) The Board and management believe that an increase in the number of issued common shares resulting from a three-for-one common share split would place the market price of the common shares in a more accessible trading range that would be increasingly attractive to investors, particularly individuals, as well as existing and prospective employees. The share split will also increase the number of Arch Capital's authorized but unissued shares.	FOR
ITEM 6 - Election of Designated Company Directors of Certain Non-U.S. Subsidiaries (page 80) The Board and management believe that the named Designated Company Director nominees possess the necessary qualifications and experiences to provide oversight for the Company's non-U.S. subsidiaries.	FOR each Director Nominee

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DIRECTOR NOMINEES See page 9.

The Board is comprised of ten members, divided into three classes, serving staggered three-year terms. The Board intends to present for action at the Annual Meeting the election of the following Class II directors for a term of three years or until their successors are duly elected and qualified:

Name		Age	Director Since	Primary Occupation	Committee Membership (1) UW	A	C	E	FIR	N
Eric W. Doppstadt		58	November 2010	Vice President and Chief Investment Officer of the Ford Foundation					n	n
Laurie S. Goodman		62	Nominee	Vice President of the Housing Finance Policy Center at the Urban Institute						
Constantine Iordanou	(2)	68	January 2002	Chairman of Arch Capital				n	n	
John M. Pasquesi		58	November 2001	Managing Member of Otter Capital LLC	n		n	n	n	n

(1) UW = Underwriting Oversight Committee; A = Audit Committee; C = Compensation Committee; E = Executive Committee; FIR = Finance, Investment and Risk Committee; N = Nominating Committee

(2) Effective March 3, 2018, Marc Grandisson succeeded Constantine Iordanou as CEO of the Company. Mr. Iordanou served as CEO until March 2, 2018, and will continue as Chairman of the Board.

COMPENSATION PROGRAM ENHANCEMENTS See page 35.

We have made several key enhancements to our compensation programs to continue to improve the link between compensation and our business performance and talent strategies as well as the long-term interests of our shareholders.

2018 Short-Term Incentive Plan

Beginning in 2018, we have adopted a more formulaic approach to our annual incentive plan design for our senior executive team. In prior years, the results of the formulaic plans, which have been in place at our underwriting units since inception, has been the basis upon which the compensation decisions have been made for our named executive officers. However, with the adoption of our new plan design, we will now formally link the financial performance achieved by each of our reporting segments (i.e., insurance, reinsurance, and mortgage) and of our investment function, as measured under the current formulaic plans, to the specific payments to be made to our named executive officers. Under the formulaic plans, bonus awards are determined for each underwriting unit based on return on capital (ROC) measures (measured over the applicable 10-year development periods) and for the investment unit on the relative performance of our investment portfolio compared to the benchmark index (over the past 1, 3 and 5 years). These calculations reflect the long-term nature of the insurance business where actual results become known over time. This performance against financial goals will receive a 70% weight. In addition, a 30% weight will be assigned to the performance of our senior executive team against strategic goals. Strategic goals will

be designed to incentivize our executives to achieve certain corporate objectives that cannot be measured by financial metrics. Specific individual financial and strategic goals will be set at the beginning of each year, and payouts will be determined by performance against the pre-established minimum, target and maximum goals.

2018 Long-Term Incentive Plan

To further align the interests of our executives and shareholders, we have moved away from exclusive time-based vesting to add a majority of performance-based vehicles to the structure of our long-term incentive awards for senior executives. Beginning with grants in 2018, the majority of such awards will be in the form of performance shares. The value mix of such long-term awards will be approximately (i) 80% performance-based, consisting of 55% performance shares and 25% stock options, and (ii) 20% time-based restricted shares. The performance shares will vest based on growth in tangible book value per share in relation to pre-established threshold, target and maximum goals over a rolling three year performance period. The resulting payout level will be secondarily modified by relative total shareholder return (“TSR”) over the performance period in relation to a pre-determined peer group. The maximum number of shares that can be earned will be 200% of target.

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SHAREHOLDER ENGAGEMENT

We maintain an ongoing, proactive outreach effort with our shareholders. Throughout the year, members of our Investor Relations team and leaders of our business engage with our shareholders to seek their input, to remain well-informed regarding their perspectives and to help increase their understanding of our business.

Over the past year, as part of our engagement with our shareholders, members of our compensation committee, our lead director and members of senior management had discussions with institutional shareholders representing a significant number of our outstanding common shares to discuss, among other things, our executive compensation program. We remain committed to listening to feedback from shareholders as we continue to review and evaluate our compensation programs.

SOUND GOVERNANCE PRACTICES AND ENHANCEMENTS See page 35.

Our governance framework includes these key compensation policies and practices:

Stock ownership guidelines: Executives and non-employee directors must hold common shares with a value at least equal to 6 times salary for our CEO, 4 times salary for our Section 16 officers and 3 times salary for our senior management, and 3 times the annual cash retainer for our non-employee directors.

Stock holding requirement: Executives and non-employee directors must retain 50% of net shares received through equity awards until holding requirements are achieved.

Double-trigger change in control benefits: Equity awards that are assumed by an acquirer in the case of a change in control are subject to double-trigger vesting.

No excise tax gross-ups: Executives receive no excise tax gross-up payments in connection with change in control benefits.

Clawback policy: All incentive-based compensation is subject to potential clawback in the event of a financial restatement.

Anti-hedging policy: Executives and directors are prohibited from engaging in hedging activities.

As part of our ongoing review of our policies, we have also recently established enhanced policies:

Limiting the shares that can be pledged by an executive or non-employee director.

Eliminating tax gross-up payments on executive perquisites.

Independent consultant: In March 2017, we selected and directly retained the services of Meridian Compensation Partners, LLC, an independent executive compensation consulting firm.

GENERAL INFORMATION See page A-1.

Please see the General Information section, Annex A for important information about the proxy materials, voting, the 2018 Annual Meeting, Company documents, communications and the deadlines to submit shareholder proposals and director nominees for the 2019 Annual Meeting of Shareholders.

LEARN MORE ABOUT OUR COMPANY

You can learn more about the Company by visiting:

Our website — www.archcapgroup.com

Proxy website — www.proxyvote.com which includes this proxy statement and our 2017 Annual Report to Shareholders.

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GOVERNANCE

ITEM 1—ELECTION OF DIRECTORS

The Board of Arch Capital is currently comprised of ten members with an eleventh Board member nominated for election, divided into three classes, serving staggered three-year terms. The Board intends to present for action at the annual meeting the election of Eric W. Doppstadt, Laurie S. Goodman, Constantine Iordanou, and John M. Pasquesi 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 by the nominating committee of the Board. 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

Eric W. Doppstadt

n 58 years old n Director since November 2010 n Class II Director of Arch Capital n Finance, Investment and Risk Committee n Nominating Committee	Mr. Doppstadt serves as Vice President and Chief Investment Officer of the Ford Foundation. Mr. Doppstadt has been with the Ford Foundation for more than 28 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. Mr. Doppstadt holds the Chartered Financial Analyst designation from the CFA Institute and is a director of Makena Capital Management, LLC. He holds an A.B. from The University of Chicago and a J.D. from New York University School of Law. Mr. Doppstadt's qualifications for service on our Board include his extensive investment experience and investment management skills.

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Laurie S. Goodman

- 62 years old
- Nominated Director

Ms. Goodman is the founder and serves as Co-Director of the Housing Finance Policy Center at the Urban Institute. Before joining the Urban Institute in 2013, Ms. Goodman spent 30 years at several Wall Street firms. From 2008 to 2013, she was Senior Managing Director at Amherst Securities Group LP. From 1993 to 2008, Ms. Goodman was head of global fixed income research and Manager of U.S securitized products research at UBS and predecessor firms. Before that, she was a senior fixed income analyst, a mortgage portfolio manager and a senior economist at the Federal Reserve Bank of New York.

Ms. Goodman serves on the board of directors of the real estate investment trust MFA Financial, is an adviser to Amherst Capital Management and is a member of the Federal Reserve Bank of New York's Financial Advisory Roundtable. She has also served on the Bipartisan Policy Center's Housing Commission and Fannie Mae's Affordable Housing Advisory Council. Ms. Goodman has a B.A. in Mathematics from the University of Pennsylvania and an A.M. and Ph.D. in Economics from Stanford University. The nominating committee engaged an independent consulting firm to assist it in identifying and assessing potential director candidates, resulting in the identification, evaluation and nomination of Ms. Goodman for election to the Board.

Ms. Goodman's qualifications for service on our Board include her extensive analytics and strategy experience, her housing finance expertise and her service on boards of directors of other companies.

Constantine Iordanou

- 68 years old
- Director since January 2002
- Chairman of the Board and Class II Director of Arch Capital
- Executive Committee
- Finance, Investment and Risk Committee

Mr. Iordanou has been Chairman of the Board of Arch Capital since November 2009 and was Chief Executive Officer of Arch Capital from August 2003 to March 2018. 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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John M. Pasquesi

n 58 years old n Director since October 2001 n Class II Director of Arch Capital n Lead Independent Director n Compensation Committee n Executive Committee n Finance, Investment and Risk Committee n Nominating Committee n Underwriting Oversight Committee	Mr. Pasquesi is the Managing Member of Otter Capital LLC, a private equity investment firm he founded in January 2001. He holds an A.B. from Dartmouth College and an M.B.A. 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 majority of the voting power represented by the votes cast at the annual meeting will be required to elect the above nominees as Class II Directors of Arch Capital.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL.

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Appointed Directors, Continuing Directors and Senior Management

The following individuals are our appointed and continuing directors:

John L. Bunce, Jr.

- 59 years old
- Director since November 2001
- Class III Director of Arch Capital
- Term expires 2019
- Compensation Committee
- Executive Committee
- Finance, Investment and Risk Committee
- Nominating Committee

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. from Stanford University and an M.B.A. 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.

Marc Grandisson

- 50 years old
- With Arch since October 2001
- President and Chief Executive Officer of Arch Capital
- Director since February 2018
- Class III Director of Arch Capital
- Term expires 2019
- Executive Committee

Mr. Grandisson was promoted to the position of President and Chief Executive Officer of Arch Capital on March 3, 2018 and was appointed to our Board in February 2018. From January 2016 to March 2018, he was President and Chief Operating Officer of Arch Capital. Prior to that role, he was Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group from 2005 to 2015, and the Chairman and Chief Executive Officer of Arch Worldwide Mortgage Group from February 2014 to December 2015. He joined Arch Reinsurance Ltd. ("Arch Re Bermuda") in October 2001 as Chief Actuary. He subsequently held various leadership roles, including Chief Underwriting Officer and Actuary, President and Chief Operating Officer, eventually being named President and Chief Executive Officer at Arch Re Bermuda. Prior to joining Arch, he held various positions with the Berkshire Hathaway Group, F&G Re, Inc. and Tillinghast/Towers Perrin. He holds a B.Sc. in Actuarial Science from Université Laval in Canada and an M.B.A. from The Wharton School of the University of Pennsylvania. He is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

Mr. Grandisson'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.

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Yiorgos Lillikas

- 57 years old
- Director since November 2010
- Class III Director of Arch Capital
- Term expires 2019
- Audit Committee
- Underwriting Oversight Committee

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.

Louis J. Paglia

- 60 years old
- Director since July 2014
- Class I Director of Arch Capital
- Term expires 2020
- Audit Committee
- Compensation Committee
- Nominating Committee
- Underwriting Oversight Committee

Mr. Paglia is the founding member of Oakstone Capital LLC, a private investment firm. He previously founded Customer Choice LLC in April 2010, a data analytics company serving the electric utility industry. He previously served as Executive Vice President of UIL Holdings Corporation, an electric utility, contracting and energy infrastructure company. Mr. Paglia also served as UIL Holdings' Chief Financial Officer and as President of its investment subsidiaries. Prior to joining UIL Holdings, Mr. Paglia was Executive Vice President and Chief Financial Officer of eCredit.com, a credit evaluation software company. Prior to that, Mr. Paglia served as the Chief Financial Officer for TIG Holdings Inc., a property and casualty insurance and reinsurance holding company, and Emisphere Technologies, Inc. He holds a B.S. in Engineering from Massachusetts Institute of Technology and an M.B.A. from The Wharton School of the University of Pennsylvania.

Mr. Paglia's qualifications for service on our Board include his strong financial background and extensive executive management and operating experience in financial services companies.

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Brian S. Posner

- 56 years old
- Director since November 2010
- Class I Director of Arch Capital
- Term expires 2020
- Audit Committee
- Finance, Investment and Risk Committee
- Underwriting Oversight Committee

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 President, 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 board of directors of Biogen Inc. and he is a 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.

Eugene S. Sunshine

- 68 years old
- Director since July 2014
- Class III Director of Arch Capital
- Term expires 2019
- Audit Committee
- Compensation Committee
- Nominating Committee

Mr. Sunshine retired at the end of August 2014 as the Senior Vice President for Business and Finance at Northwestern University, the university's chief financial and administrative officer. Before joining Northwestern in 1997, he was Senior Vice President for Administration at The Johns Hopkins University. Prior to Johns Hopkins, Mr. Sunshine held positions as New York State Deputy Commissioner for Tax Policy and New York State Treasurer as well as Director of Energy Conservation for the New York State Energy Office. He currently is a member of the boards of directors of Chicago Board Options Exchange and Kaufman Hall and Associates. Mr. Sunshine is a former member of the boards of Bloomberg L.P., National Mentors Holdings and Nuveen Investments. He holds a B.A. from Northwestern University and a Master of Public Administration degree from Syracuse University's School of Citizenship and Public Affairs.

Mr. Sunshine's qualifications for service on our Board include his strong financial background and extensive executive management and operating experience.

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John D. Vollaro

n 73 years old n Director since November 2009 n Class I Director of Arch Capital and Senior Advisor n Term expires 2020 n Finance, Investment and Risk Committee n Underwriting Oversight Committee	Mr. Vollaro has been a Senior Advisor of Arch Capital since April 2009. He was Executive Vice President and Chief Financial Officer of Arch Capital from January 2002 to March 2009 and Treasurer of Arch Capital 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 currently serves on the board of directors of Tiberius Acquisition Corporation. 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.

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

Mark D. Lyons

n 61 years old n With Arch since August 2002 n Executive Vice President, Chief Financial Officer and Treasurer of Arch Capital	Mr. Lyons has served as Executive Vice President, Chief Financial Officer and Treasurer of Arch Capital since September 2012. From September 2012 to May 2015, he also functioned as Chief Risk Officer. Prior to that, he served as Chairman and Chief Executive Officer of Arch Worldwide Insurance Group, an officer position of Arch Capital, 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. in Mathematics from Elizabethtown College. He is also an Associate of the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

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Nicolas Papadopoulo

n 55 years old n With Arch since December 2001 n Chairman and Chief Executive Officer of Arch Worldwide Insurance Group and Chief Underwriting Officer for the Property & Casualty Group	Mr. Papadopoulo is Chairman and Chief Executive Officer of Arch Worldwide Insurance Group and Chief Underwriting Officer for the Property & Casualty Group, executive positions at Arch Capital. From July 2014 to September 2017, Mr. Papadopoulo was Chairman and Chief Executive Officer of Arch Reinsurance Group at Arch Capital. He joined Arch Re Bermuda in December 2001 where he held variety of underwriting roles. Prior to joining Arch, he held various positions at Sorema N.A. Reinsurance Group, a U.S. subsidiary of Groupama and he was also 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.

Maamoun Rajeh

n 47 years old n With Arch since December 2001 n Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group	Mr. Rajeh was promoted to the position of Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group in October 2017. From July 2014 to September 2017, he was Chairman and Chief Executive Officer of Arch Re Bermuda. He joined Arch Re Bermuda in 2001 as an underwriter, ultimately becoming Chief Underwriting Officer in November 2005. Most recently, he was President and Chief Executive Officer of Arch Reinsurance Europe Underwriting Designated Activity Company from October 2012 to July 2014. From 1999 to 2001, Mr. Rajeh served as Assistant Vice President at HartRe, a subsidiary of The Hartford Financial Services Group, Inc. Mr. Rajeh also served in several business analysis positions at the United States Fidelity and Guarantee Company between 1992 and 1996 and as an underwriter at F&G Re from 1996 to 1999. He has a B.S. from The Wharton School of Business of the University of Pennsylvania and he is a Chartered Property Casualty Underwriter.

Andrew T. Rippert

n 57 years old n With Arch since September 2010 n Chairman and Chief Executive Officer of Arch Worldwide Mortgage Group	Mr. Rippert has served as Chairman and Chief Executive Officer of Arch Worldwide Mortgage Group at Arch Capital since January 2014. Prior to that, he served as President and Chief Executive Officer of Arch Mortgage Insurance Designated Activity Company from December 2011 to March 2014. Prior to December 2011, he served as senior executive of mortgage insurance at Arch Re Bermuda. He joined Arch Insurance Company (Europe) Limited in September 2010 as a Senior Vice President. Prior to that time, he worked as a consultant to mortgage insurers and mortgage backed security investors. From 2001 through 2006, he held various positions at Radian Guaranty Inc., a subsidiary of Radian Group Inc., including senior vice president and managing director of the international mortgage insurance group. He has also worked in reinsurance as an actuary and underwriter. Mr. Rippert serves on the board of directors of the Mortgage Bankers Association ("MBA") and the MBA's Opens Doors Foundation. He is also a member of the Executive Committee of the Housing Policy Council and a voting member of the MBA's Residential Board of Governors. Mr. Rippert graduated from Drexel University with a B.S. in Physics and Mathematics and has an M.B.A. from The Wharton School of the University of Pennsylvania. Mr. Rippert is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

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Dennis R. Brand

■ 67 years old ■ With Arch since February 2004 ■ Chairman, Worldwide Services at Arch Capital Services Inc.	Mr. Brand is Chairman, Worldwide Services at Arch Capital Services Inc. Mr. Brand also serves on the Group Reinsurance Steering Committee. He served as Senior Executive Vice President and Chief Administration Officer for Arch Insurance Group until December 2017. Mr. Brand joined Arch Insurance Group in 2004 as Senior Vice President and Chief Reinsurance Officer where he oversaw reinsurance, finance, information technology, actuarial, corporate underwriting, human resources, legal and premium audit departments. Prior to joining Arch Insurance Group, Mr. Brand held various positions in the insurance industry: first in finance, then in assumed underwriting and ceded reinsurance, as well as serving in other operational roles in the industry. Mr. Brand has over 40 years of reinsurance and executive management experience through positions held at Kemper and Reliance National. Mr. Brand holds a B.A. in Business from West Virginia University; he has also served in the United States Navy.

W. Preston Hutchings

■ 61 years old ■ With Arch since July 2005 ■ President of Arch Investment Management Ltd. and Senior Vice President and Chief Investment Officer of Arch Capital	Mr. Hutchings has served as President of Arch Investment Management Ltd. since April 2006 and Senior Vice President and Chief Investment Officer of Arch Capital since July 2005. Prior to joining Arch Capital, 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.

François Morin

■ 50 years old ■ With Arch since October 2011 ■ Senior Vice President, Chief Risk Officer and Chief Actuary of Arch Capital	Mr. Morin is Senior Vice President, Chief Risk Officer and Chief Actuary of Arch Capital, a position he has held since May 2015. He joined Arch Capital in October 2011 as Chief Actuary and Deputy Chief Risk Officer. From January 1990 through September 2011, Mr. Morin served in various roles for Towers Watson & Co. and its predecessor firm Towers Perrin Forster & Crosby, including its actuarial division, Tillinghast. He holds a B.Sc. in Actuarial Science from Université Laval in Canada. He is a Fellow of the Casualty Actuarial Society, a Chartered Financial Analyst, a Chartered Enterprise Risk Analyst, and a Member of the American Academy of Actuaries.

Louis T. Petrillo

■ 52 years old ■ With Arch since January 1996 ■ President and General Counsel of Arch Capital Services Inc.	Mr. 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 Arch Capital. From 1996 until May 2000, Mr. Petrillo was Vice President and Associate General Counsel of Arch Capital'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. from Tufts University and a law degree from Columbia University.

Board

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Leadership Structure

The Board reviews the Company's leadership structure from time to time, and as a result of the transition of the role of Chief Executive Officer from Mr. Iordanou to Mr. Grandisson, the Board has determined that a split in the role of chairman of the board and chief executive officer is appropriate and in the best interests of the Company's shareholders at this time. The Board has also determined to maintain the role of independent lead director, a role in which John Pasquesi currently serves. The Board believes that this governance structure allows it to continue to independently oversee the Company's business and leverage the experience and perspectives of Mr. Iordanou, while also allowing Mr. Grandisson to focus his time and energy on operating and managing the Company. Throughout this period of transition, the Board will continue to assess these roles and the Board leadership structure to ensure the interests of the Company and its shareholders are best served.

Several factors ensure that we have a strong and independent Board. As indicated below, all directors, with the exception of Messrs. Grandisson, Iordanou and 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 among the chairman of the board, the chief executive officer 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 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 consists of ten directors, including seven non-employee directors. Our Board has concluded that the following seven non-employee directors and the nominated director, Laurie S. Goodman, are independent in accordance with the director independence standards set forth in Rule 5600 of the rules of NASDAQ: John L. Bunce, Jr., Eric W. Doppstadt, Yiorgos Lillikas, Louis J. Paglia, John M. Pasquesi, Brian S. Posner and Eugene S. Sunshine. 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.

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As outlined below, Committees of the Board help oversee the business and operations of the Company.

Underwriting Oversight Committee	Oversees risks relating to our underwriting activities, including with respect to accumulations and aggregations of exposures in our insurance, reinsurance and mortgage businesses.
Audit Committee	Oversees management of financial reporting and compliance risks.
Compensation Committee	Oversees the management of risks relating to the Company's compensation plans and arrangements, retention of personnel and succession planning.
Finance, Investment and Risk Committee	Oversees risks relating to the financial, investment, operational (including information technology and data security) and other risk affairs of the Company.
Nominating Committee	Oversees risks associated with the composition of the Board.

While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks. Please refer to "Committees of the Board."

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, including underwriting oversight, audit, compensation,

executive, finance, investment and risk and nominating committees. We have also adopted Corporate Governance Guidelines that cover issues such as executive sessions of our Board, 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 are available on the Company's website located at www.archcapgroup.com. None of the material on our website is incorporated herein by reference.

Meetings

The Board held four meetings during 2017. Each director attended 75% or more of all meetings of the Board and any committees on which the director served during fiscal year 2017. Directors are encouraged, but not required, to attend our annual meeting of shareholders. All of our then current directors attended the 2017 annual meeting.

Communications with the Board

Shareholders may communicate with the Board or any of the directors by sending written communications addressed to the Board or any of the directors, to:

Arch Capital Group Ltd.
Waterloo House, Ground Floor
100 Pitts Bay Road
Pembroke HM 08, Bermuda
Attention: Secretary
Facsimile: (441) 278-9255

All shareholder communications will be compiled by the Secretary for review by the Board.

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Committees of the Board

Director	Audit	Compensation	Executive	Finance, Investment and Risk	Nominating	Underwriting Oversight
John L. Bunce, Jr.		n	n	n	n Chair	
Eric W. Doppstadt				n Chair	n	
Marc Grandisson			n			
Constantine Iordanou			n Chair	n		
Yiorgos Lillikas	n					n
Louis J. Paglia	n	n			n	n
John M. Pasquesi		n	n	n	n	n
Brian S. Posner	n Chair			n		n
Eugene S. Sunshine	n	n Chair			n	
John D. Vollaro				n		n Chair

Audit Committee

The audit committee of the Board assists the Board 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.

All of our 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 has determined that Mr. Posner qualifies as an “audit committee financial expert” under the rules of the Securities and Exchange Commission (“SEC”). The audit committee held five meetings during 2017.

Compensation Committee

The compensation committee of the Board approves the compensation of our senior executives and has overall responsibility for approving, evaluating and making recommendations to the Board regarding our officer compensation plans, policies and programs.

All of our compensation committee members are considered independent under the listing standards of NASDAQ governing the qualifications of the members of compensation committees. In addition, no executive officer of the Company served on any board of directors or compensation committee of any entity (other than Arch Capital) with which any member of our Board serves as an executive officer. The compensation committee held five meetings during 2017.

Executive Committee

The executive committee of the Board may generally exercise all the powers and authority of the Board, when it is not in session, in the management of our business and affairs, unless the Board otherwise determines. The executive committee did not meet during 2017.

Finance, Investment and Risk Committee

The finance, investment and risk committee of the Board oversees the Board’s responsibilities relating to the financial, operational (including information technology and data security) and other risk affairs of the Company and recommends to the Board financial policies, risk tolerances, strategic investments and overall investment policy, including review of manager selection, financial and risk benchmarks and investment performance. The finance, investment and risk committee held four meetings during 2017.

Nominating Committee

The nominating committee of the Board is responsible for identifying individuals qualified to become directors and recommending to the Board the director nominees for consideration at each annual meeting of shareholders.

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All of our 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 four meetings during 2017.

When the Board 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, 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 representing a diverse spectrum of expertise, background, perspective, race, gender and experience.

Since the departure of two very valuable Board members in the past year, the nominating committee’s search focused on candidates who offer a range of perspectives, experience and expertise required to reflect the diverse nature of the business environment in which we operate. In particular, given the growth of our mortgage insurance business, we believed that the Board would benefit from the addition of a respected leader in the mortgage insurance industry and, therefore, focused its search to meet that goal. Our search resulted in the nomination of Laurie S. Goodman for election to the Board. As this selection demonstrates, the nominating committee is committed to building value for shareholders over the long-term by having professionals of the highest caliber serving on our Board.

A shareholder who wishes to recommend a director candidate for consideration by the nominating committee should send such recommendation in writing to:

Arch Capital Group Ltd.
Waterloo House, Ground Floor
100 Pitts Bay Road

Pembroke HM 08, Bermuda
Attention: Secretary

The recommendation should comply with the advance notice requirements set forth in our bye-laws, as described under the caption “Shareholder Proposals for the 2019 Annual 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.

From time to time, the nominating committee engages independent search firms to assist in identifying potential Board candidates. Services provided by the search firms include identifying and assessing potential director candidates meeting criteria established by the nominating committee, verifying information about the prospective candidate’s credentials, and obtaining a preliminary indication of interest and willingness to serve as a Board member. The nominating committee engaged an independent consulting firm to assist it in identifying and assessing potential director candidates, resulting in the identification, evaluation and nomination of Laurie S. Goodman for election to the Board. The nominating committee has not rejected a candidate recommended by a 5% shareholder, but reserves the right to do so.

Underwriting Oversight Committee

The underwriting oversight committee of the Board assists the Board by reviewing the underwriting activities of our insurance, reinsurance and mortgage businesses. The members of the underwriting oversight committee regularly participate in the underwriting review meetings held in our insurance, reinsurance and mortgage operations. The underwriting oversight committee held four meetings in 2017.

Director Compensation

The compensation committee is responsible for reviewing and making recommendations to the Board regarding all matters pertaining to compensation paid to directors for Board, committee and committee chair services.

In making non-employee director compensation recommendations, the compensation committee takes

various factors into consideration, including, but not limited to, input received from the compensation committee's independent consultant, the responsibilities of directors generally, as well as committee chairs, and the form and amount of compensation paid to directors by comparable companies. The Board reviews the recommendations of the compensation committee and

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determines the form and amount of director compensation.
The following table provides information concerning the compensation of our directors for the year ended December 31, 2017. Arch Capital's Board is led by our chairman, Constantine Iordanou, who was also the chief executive officer of the Company until March 2, 2018.

Directors who also serve as employees of the Company do not receive payment for service as directors.
For a complete understanding of the table, please read the footnotes and the narrative disclosures that follow the table. Please also refer to the "2017 Summary Compensation Table" for Messrs. Iordanou and Grandisson's compensation.

Name		Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
John L. Bunce, Jr.	C	158,528	74,933	—	—	—	—	233,461
Eric W. Doppstadt	FC	154,528	74,933	—	—	—	15,000	244,461
Kewsong Lee	*	157,528	—	—	—	—	50,000	207,528
Yiorgos Lillikas		173,528	74,933	—	—	—	—	248,461
Deanna Mulligan (4)		—	—	—	—	—	—	—
Louis J. Paglia		179,528	74,933	—	—	—	50,000	304,461
John M. Pasquesi	LD*	174,028	74,933	—	—	—	50,000	298,961
Brian S. Posner	AC	204,528	74,933	—	—	—	50,000	329,461
Eugene S. Sunshine	C	184,528	74,933	—	—	—	20,900	280,361
John D. Vollaro (5)(6)	C	700,000	—	—	—	—	77,777	777,777

LD = Lead Director, C = Committee Chair, AC = Audit Committee Chair, FC = Finance, Investment and Risk Committee Chair
* John Pasquesi was appointed lead director at the November 2, 2017 Board meeting. Kewsong Lee was the lead director until his resignation on November 2, 2017.

(1) Non-Employee Director Cash Compensation	Annual Cash Retainer
Non-Employee Director Retainer (A)	$125,000
Additional Retainers and Fees for Board Members, Committee Chairs, Committee Members (B)	
Meeting Fees	
Board	$2,500
Committee	$1,500
Audit Committee Chair	$50,000
Audit Committee Member	$25,000
Finance, Investment & Risk Committee Chair	$15,000
Committee Chair (other than above)	$10,000

(A) Each non-employee member may elect to receive the retainer fee in the form of common shares instead of cash. If so elected, the number of shares distributed to the non-employee director would be equal to 100% of the amount of the annual retainer fee otherwise payable divided by the fair market value of our common shares. This column includes the annual retainer (whether paid in cash or, at the election of the director, in common shares), meeting fees and committee chairman and retainer fees, as applicable and as described above. For the 2017-2018 annual period, Mr. Sunshine received his annual retainer fees in the form of cash and Messrs. Bunce, Doppstadt, Lee, Lillikas, Paglia, Pasquesi and Posner received their annual retainers in the form of 1,286 common shares.

(B) Beginning in May 2018, each non-employee director serving as chairman of the finance, investment and risk committee, the nominating committee and the compensation committee will receive an annual fee of $25,000 and the audit committee and executive committee chairs will continue to receive a retainer of $50,000, and $10,000, respectively. In addition, the lead director will receive an annual fee of $25,000.

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(2) Each year, the non-employee directors are granted a number of restricted shares equal to $75,000 divided by the closing price on the date of grant (i.e., the first day of the annual period of compensation for the non-employee directors), and such shares vest on May 1st of the following year. The grant date fair value indicated in the table has been calculated in accordance with FASB ASC Topic 718 Compensation—Stock Compensation. On May 4, 2017, each non-employee director received 771 restricted common shares, which will vest on May 1, 2018. With respect to Ms. Mulligan and Mr. Lee, such restricted shares were canceled on February 23, 2017 and November 2, 2017 respectively, the dates of their respective resignations. Beginning in May 2018, non-employee directors will be granted a number of restricted shares equal to $95,000, an increase of $20,000 from 2017.

The aggregate number of share awards outstanding (i.e., unvested) as of December 31, 2017 for Messrs. Bunce, Doppstadt, Lillikas, Paglia, Pasquesi, Posner and Sunshine was 771 common shares each. In addition, as of December 31, 2017, Mr. Vollaro had 66,600 outstanding share appreciation rights ("SARs"), which were awarded while he was chief financial officer of the Company. For additional information on ownership of Arch Capital's securities, please refer to "Security Ownership of Certain Beneficial Owners and Management."

(3) The amounts in the "All Other Compensation" column for Messrs. Doppstadt, Lee, Paglia, Pasquesi, Posner, and Sunshine include matching gifts made under the Company's matching gift program.

The Company provides a matching gift program pursuant to which the Company matches eligible contributions by non-employee directors to qualified charitable organizations. During 2017, the Company made an aggregate of approximately $236,000 in matching contributions on behalf of the non-employee directors.

(4) Ms. Mulligan served as a Director until her resignation from our Board on February 23, 2017 due to a potential conflict of interest. Ms. Mulligan received no compensation during 2017.

(5) Mr. Vollaro is a senior advisor and an employee of the Company. Mr. Vollaro's employment agreement provides that he receives an annual base salary of $250,000 and a bonus determined by the compensation committee and the Board for his role as Senior Advisor of the Company. For 2017, Mr. Vollaro received a cash bonus of $450,000. In addition, Mr. Vollaro serves as chairman of the underwriting and oversight committee and is a member of the finance, investment and risk committee of the Board. A description of Mr. Vollaro's employment agreement is included below.

(6) The amount for Mr. Vollaro includes: (a) $32,790 in contributions to our defined contribution plans and (b) $6,369, which represents an additional payment to reimburse Mr. Vollaro for the approximate amount of additional tax liability for club dues. In addition, the total amount also includes the payment for club dues, life insurance premiums and tax preparation services, which did not exceed the greater of $25,000 or 10% of the total amount of these benefits for Mr. Vollaro.

In addition to the arrangements described above, all non-employee directors are entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to and attendance at meetings of the Board or committees.

Employment Agreement of John Vollaro

Our employment agreement with John Vollaro provides for his employment period to continue on the terms and conditions set forth in the agreement for an indefinite period until terminated by either party by providing at least six months' prior written notice to the other party. Pursuant to the agreement, Mr. Vollaro has served as Senior Advisor of Arch Capital since April 1, 2009. Mr. Vollaro's base salary is paid at the rate $250,000 per annum, and the target rate for the annual cash bonus is 100% of the annual base salary. Mr. Vollaro is eligible to receive annual cash bonuses and share-based awards at the discretion of Arch Capital's Board and is also entitled to participate in employee benefit programs such as major medical, life insurance and disability insurance, the cost of preparation of annual tax returns and associated tax planning, and other fringe benefits customarily provided to similarly situated senior executives. His agreement also provides that the Company will reimburse him for his reasonable expenses incurred traveling between Bermuda and the United States.

The agreement provides that if Mr. Vollaro's employment is terminated without cause prior to the end of the term, he will be entitled to receive an amount equal to the sum of the total remaining base salary and target annual bonus which would have been paid to Mr. Vollaro under his employment agreement for the period through six months after the date of termination of employment (the "Severance Amount"). The Severance Amount would be payable over 12 months. The agreement also provides that if Mr. Vollaro's employment is terminated for cause, as a result of his resignation, as a result of death or permanent disability, or by written notice of the intention not to renew the agreement by us or Mr. Vollaro, he (or his estate) will be entitled to receive his base salary through the date of termination. The agreement further provides that if Mr. Vollaro's employment is terminated by reason of death or permanent disability, he (or his estate) will also be entitled to receive for the period extending through the remainder of the employment period, an amount equal to the Severance Amount, in each case, (i) offset by any proceeds received from any insurance coverages provided by the Company, and (ii) such amount, will be paid to him (or his estate) promptly upon death or permanent disability, as applicable, and in no event later than March 15 of the calendar year following the calendar year of such termination of employment. Mr. Vollaro's major medical insurance coverage benefits pursuant to his employment agreement will continue for 12 months after the date of termination (or until he is provided by another employer with benefits substantially comparable, with no pre-existing condition limitations, to the benefits provided by such plan) in the event that his employment ends due to permanent disability, or he is terminated other than for cause.

Mr. Vollaro has agreed that, during the employment period and for a period of two years after termination of employment for cause or as a result of his resignation, he will not compete with the businesses of Arch Capital or any of its subsidiaries as such businesses exist or are in process or being planned as of the date of termination. If we terminate Mr. Vollaro's employment without cause, the term of his non-competition period will extend for one year following termination. Mr. Vollaro also agreed that he will not, for a period of two years following his date of termination, induce or attempt to induce any of our employees to leave his or her position with us or induce any customer to cease doing business with us.

Matters Relating to Director Share Ownership

In an effort to further align the interests of the non-employee directors with the interests of shareholders, the Company has adopted:

Share Ownership Guidelines: Share ownership guidelines require the directors to retain common shares having a value of at least three times the annual cash retainer fee payable to the director. Each non-employee director has five years to comply with the guidelines, and stock options, share appreciation rights (SARs) and unvested restricted shares/units do not count toward the requirement.

Share Holding Requirements: Until our non-employee directors meet their target ownership levels, they must retain an amount equal to 50% of the net profit shares received from Arch Capital's equity awards until they have attained the applicable share ownership level. Net profit shares are the shares remaining after payment of the exercise price of an option and taxes owed on exercise of options or SARs, vesting of restricted stock, or vesting and payout under restricted stock units and performance shares.

No Hedging Permitted: Under the insider trading policy included in our Code of Business Conduct, our non-employee directors are not permitted to engage in hedging activities with respect to Arch Capital'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.

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Certain Relationships and Related Transactions

Generally, transactions with related persons are subject to the review by the Board of Arch Capital. The Board has adopted written procedures regarding the review of transactions involving companies affiliated with a company in which a non-employee director or executive officer of Arch Capital has a material interest (each a “portfolio company”), on the one hand, and Arch Capital or one of its subsidiaries, on the other hand.

Under the procedures, these transactions must be reviewed and approved by the management of Arch Capital or the operating subsidiary entering into the transaction (as applicable), and the terms of such transaction should be arm’s-length or on terms that are otherwise fair to Arch Capital and its subsidiaries. In addition, these transactions also require the approval of Arch Capital under its holding company oversight guidelines, except for the following: (1) ordinary course transactions pursuant to which any insurance subsidiary of Arch Capital writes a direct insurance policy for a portfolio company where the Company will receive less than $3 million in annual premiums and (2) a transaction in which a U.S.-based subsidiary of Arch Capital (a) assumes reinsurance from, or cedes reinsurance to, a portfolio company or (b) provides direct insurance to a portfolio company pursuant to which the Company will receive $3 million or more in annual premiums, in which case, the general counsel of Arch Capital Services Inc. should be pre-notified and appropriate steps will be implemented based on the transaction. In reviewing these proposed transactions, the effects, if any, on the independence of the relevant directors are considered under the governing NASDAQ and SEC standards. Any applicable regulatory, tax and ratings agency matters are also considered. Under these procedures, the Board is provided with an update of related party transactions entered into by the Company in accordance with the procedures on a regular basis.

Graham B. Collis, a director of certain of our non-U.S. subsidiaries, is a director of the law firm of Conyers Dill & Pearman Limited, which provides legal services to the Company and its subsidiaries.

See also “Compensation Committee Interlocks and Insider Participation” for a description of transactions with certain related persons.

Based on a Schedule 13G/A filed in January 2018, BlackRock Inc. (“BlackRock”) owned approximately 6.5% of the outstanding common shares of Arch Capital as of December 31, 2017. BlackRock, through its subsidiaries, provides various investment management, investment trade support and risk analysis services to Arch Capital and its subsidiaries.

During 2017, the Company incurred $11.6 million of fees, in the aggregate, under these services arrangements with BlackRock.

In January 2017, the Company and Kelso & Co. (“Kelso”), sponsored Premia Reinsurance Ltd., a newly formed multiline Bermuda reinsurance company (“Premia Re”). Premia Re’s strategy is to reinsure or acquire companies or reserve portfolios in the non-life property and casualty insurance and reinsurance run-off market. The initial capitalization of Premia Re’s parent, Premia Holdings Ltd. (“Premia”), consists of $400.0 million in common equity and $110.0 million in unsecured senior debt. Arch Re Bermuda and certain Arch co-investors, including senior management of Premia, invested $100.0 million and acquired 25.0% of Premia’s common equity as well as warrants to purchase additional common equity. Two of the co-investors included Nicolas Papadopoulo, Chairman and CEO of Arch Worldwide Insurance Group and Chief Underwriting Officer for Property and Casualty Operations, who invested $2.5 million for a 0.625% stake, and Maamoun Rajeh, Chairman and CEO of Arch Worldwide Reinsurance Group, who invested $0.5 million for a 0.125% stake. Affiliates of Kelso, along with co-investors of Kelso, invested $300.0 million and acquired the balance of Premia’s common equity as well as warrants to purchase additional common equity. Arch Re Bermuda is providing a 25% whole account quota share reinsurance treaty on business written by Premia Re which generated net premiums written and earned of $45.4 million for 2017. Arch Re Bermuda has appointed two directors to serve on the seven person board of directors of Premia Re. Subsidiaries of Arch Capital are providing certain administrative and support services to Premia pursuant to services agreements.

In 2017, we made a $125,000 contribution to the Urban Institute, a non-profit research organization that employs Laurie S. Goodman, a nominee for Class II Director at our annual meeting.

From time to time, in the ordinary course of our business, we may enter into transactions, including insurance and reinsurance transactions and brokerage or other arrangements for the production of business, with entities in which companies or funds affiliated with beneficial owners of more than 5% of our outstanding voting shares or directors of Arch Capital may have an ownership or other interest.

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SHARE OWNERSHIP

Security Ownership of Certain Beneficial Owners and Management

Common Shares

The following table sets forth information available to us as of March 14, 2018 with respect to the ownership of our voting shares by (1) each person known to us to be the beneficial owner of more than 5% of any class of our outstanding voting shares, (2) each director and named executive officer of Arch Capital and (3) all of the directors and executive officers of Arch Capital as a group. Except as otherwise indicated, each person named below has sole investment and voting power with respect to the securities shown.

Name and Address of Beneficial Owner	Common Shares (A) Number of Common Shares Beneficially Owned(1)	(B) Rule 13d-3 Percentage Ownership(1)	
Artisan Partners Holdings LP (2) 875 East Wisconsin Avenue, Suite 800 Milwaukee, Wisconsin 53202	17,572,350	12.9	%
Cascade Investment, L.L.C. (3) 2365 Carillon Point Kirkland, Washington 98033	11,511,099	8.4	%
The Vanguard Group (4) 100 Vanguard Blvd. Malvern, Pennsylvania 19355	10,654,794	7.8	%
BlackRock Inc. (5) 55 East 52nd Street New York, New York 10022	8,897,534	6.5	%
Baron Capital Group, Inc. (6) 767 Fifth Avenue New York, New York 10153	8,433,758	6.2	%
Constantine Iordanou (7)	2,422,476	1.7	%
Marc Grandisson (8)	865,640	*	
John L. Bunce, Jr. (9)	688,022	*	
Eric W. Doppstadt (10)	15,904	*	
Yiorgos Lillikas (11)	18,053	*	
Louis J. Paglia (12)	7,191	*	
John M. Pasquesi (13)	1,723,538	1.3	%
Brian S. Posner (14)	22,439	*	
Eugene S. Sunshine (15)	4,128	*	
John D. Vollaro (16)	184,616	*	
Mark D. Lyons (17)	171,660	*	
Nicolas Papadopolou (18)	227,314	*	
Maamoun Rajeh (19)	203,211	*	
Andrew T. Rippert (20)	74,217	*	
All directors and executive officers (16 persons) (21)	7,107,361	5.1	%

* Denotes beneficial ownership of less than 1%

(1) Pursuant to Rule 13d-3 promulgated under the Exchange Act, amounts shown include common shares that may be acquired by a person within 60 days of March 14, 2018. Therefore, column (B) has been computed based on (a) 136,702,745 common shares actually outstanding as of March 14, 2018 ; and (b) solely with respect to the person whose Rule 13d-3 Percentage Ownership of common shares is being computed, common shares that may be acquired within 60 days of March 14, 2018 upon the exercise of options held only by such person. All references to “options” in the above table and the related footnotes include SARs, as applicable.

(2) Based on a Schedule 13G/A filed with the SEC on February 7, 2018 jointly by Artisan Partners Limited Partnership (“APLP”), Artisan Investments GP LLC (“Artisan Investments”), Artisan Partners Holdings LP (“Artisan Holdings”), Artisan Partners Asset Management Inc. (“APAM”) and Artisan Partners Funds, Inc. (“Artisan Funds”). APLP is an investment advisor and Artisan Funds is an investment company. Artisan Holdings is the sole limited partner of APLP and the sole member of Artisan Investments. Artisan Investments is the general partner of APLP and APAM is the general partner of Artisan Holdings. The Schedule 13G/A reported that the common shares have been acquired on behalf of discretionary clients of APLP, which holds 17,572,350 common shares, including 8,415,949 common shares on behalf of Artisan Funds. In addition, the Schedule 13G/A reported that (a) APLP, Artisan Investments, Artisan Holdings and APAM each has shared voting with respect to 16,335,076 common shares and shared dispositive power with respect to 17,572,350 common shares and (b) Artisan Funds has shared voting and dispositive power with respect to 8,415,949 common shares.

(3) Based on a Schedule 13G/A filed with the SEC on February 14, 2013 jointly by Cascade Investment, L.L.C. (“Cascade”) and William H. Gates III. In the Schedule 13G/A, it is reported that Cascade has sole voting and dispositive power with respect to 11,511,099 common shares. In addition, all common shares held by Cascade may be deemed to be beneficially owned by William H. Gates III as the sole member of Cascade.

(4) Based on a Schedule 13G/A filed with the SEC on February 8, 2018 by The Vanguard Group (“Vanguard”). In the Schedule 13G/A it is reported that Vanguard has shared dispositive power with respect to 128,793 common shares, sole voting power with respect to 101,216 shares, shared voting power with respect to 36,952 common shares and sole dispositive power with respect to 10,526,001 common shares.

(5) Based on a Schedule 13G/A filed with the SEC on January 30, 2018 by BlackRock. In the Schedule 13G/A, it is reported that BlackRock has sole voting power with respect to 7,767,696 common shares and sole dispositive power with respect to 8,897,534 common shares.

(6) Based upon a Schedule 13G/A filed with the SEC on February 14, 2018 jointly by Baron Capital Group, Inc. (“BCG”), BAMCO, Inc. (“BAMCO”), Baron Capital Management, Inc. (“BCM”) and Ronald Baron (collectively, the “Baron Group”). In the Schedule 13G/A, the Baron Group reported that BAMCO and BCM are subsidiaries of BCG, and Ronald Baron owns a controlling interest in BCG. In addition, the Schedule 13G/A reported that (a) BCG has shared voting power with respect to 8,108,685 common shares and shared dispositive power with respect to 8,433,758 common shares; (b) BAMCO has shared voting power with respect to 7,757,314 common shares and shared dispositive power with respect to 8,082,414 common shares; (c) BCM has shared voting power with respect to 351,344 common shares and shared dispositive power with respect to 351,344 common shares; and (d) Ronald Baron has shared voting power with respect to 8,108,685 common shares and shared dispositive power with respect to 8,433,758 common shares.

(7) Amounts in columns (A) and (B) reflect (a) 99,578 common shares owned directly by Mr. Iordanou (including 50,054 restricted shares, which are subject to vesting); (b) 3,297 common shares owned by limited liability companies, for which Mr. Iordanou serves as the managing member for the benefit of members of his family; (c) 201,676 common shares, which are held by a grantor retained annuity trust; (d) stock options and SARs with respect to 992,334 common shares that are exercisable currently or within 60 days of the date hereof, (e) stock options and SARs with respect to 1,109,726 common shares that are exercisable currently or within 60 days of the date hereof, which are held by two grantor retained annuity trusts; and (f) 15,865 restricted stock units that will be settled in common shares within 60 days hereof. Amounts do not include (a) stock options and SARs with respect to 46,987 common shares that are not exercisable within 60 days of the date hereof, (b) 31,635 restricted common share units that will not be settled in common shares within 60 days of the date hereof; and (c) 13,251 restricted common share units that will be settled in common shares after the termination of Mr. Iordanou’s employment, as provided in the award agreement. Mr. Iordanou holds a security agreement with respect to 49,524 directly owned

common shares, which is not currently being utilized. Mr. Iordanou's reported beneficial ownership (pursuant to Rule 13d-3) decreased by approximately 31% compared to the amount reported in the Proxy Statement filed on March 24, 2017. This decrease is primarily due to estate planning changes and family trust distributions.

(8) Amounts in columns (A) and (B) reflect 608,762 common shares owned indirectly by Mr. Grandisson (including 35,805 restricted shares which are subject to vesting); (b) 660 common shares owned by his spouse; and (c) stock options and SARs with respect to 256,218 common shares that are exercisable currently or within 60 days of the date hereof. Amounts do not include stock options and SARs with respect to 19,319 common shares that are not exercisable within 60 days of the date hereof.

(9) Amounts in columns (A) and (B) reflect 688,022 common shares owned directly by Mr. Bunce.

(10) Amounts in columns (A) and (B) reflect 15,904 common shares owned directly by Mr. Doppstadt.

(11) Amounts in columns (A) and (B) reflect (a) 17,968 common shares owned directly by Mr. Lillikas and (b) 85 common shares owned by his child.

(12) Amounts in columns (A) and (B) reflect 7,191 common shares owned directly by Mr. Paglia.

(13) Amounts in columns (A) and (B) reflect (a) 407,231 common shares owned by Otter Capital LLC, for which Mr. Pasquesi serves as the Managing Member; (b) 1,033,021 common shares owned indirectly by revocable trusts for which Mr. Pasquesi and his spouse are the trustees; (c) 52,515 common shares owned indirectly by a family limited partnership; (d) 230,000 common shares, which are held

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by a grantor retained annuity trust; and (e) 771 common shares owned directly by Mr. Pasquesi. In addition, 436,620 common shares held by the trusts and by the family limited partnership are subject to a security agreement, which is not currently being utilized. This security agreement provides for a secured loan of up to 30% of the total market value of the common shares subject to the security agreement.

(14) Amounts in columns (A) and (B) reflect 22,439 common shares owned directly by Mr. Posner.

(15) Amounts in columns (A) and (B) reflect 4,128 common shares owned directly by Mr. Sunshine.

(16) Amounts in columns (A) and (B) reflect (a) 118,016 common shares owned by a revocable trust for which Mr. Vollaro serves as trustee and (b) stock options and SARs with respect to 66,600 common shares that are exercisable currently.

(17) Amounts in columns (A) and (B) reflect (a) 76,494 common shares owned directly by Mr. Lyons (including 16,932 restricted shares, which are subject to vesting); and (b) stock options and SARs with respect to 95,166 common shares that are exercisable currently or within 60 days of the date hereof. Amounts do not include (a) stock options and SARs with respect to 8,126 common shares that are not exercisable within 60 days of the date hereof; and (b) 86,722 restricted common share units, which will be settled in common shares after the termination of Mr. Lyons' employment as provided in the award agreements.

(18) Amounts in columns (A) and (B) reflect (a) 216,914 common shares owned directly by Mr. Papadopolou (including 30,290 restricted shares, which are subject to vesting) and (b) stock options and SARs with respect to 10,400 common shares that are exercisable currently or within 60 days of the date hereof. Amounts do not include stock options and SARs with respect to 57,331 common shares that are not exercisable within 60 days of the date hereof.

(19) Amounts in columns (A) and (B) reflect (a) 115,060 common shares owned directly by Mr. Rajeh (including 21,565 restricted shares, which are subject to vesting) and (b) stock options and SARs with respect to 88,151 common shares that are exercisable currently or within 60 days of the date hereof. Amounts do not include (a) stock options and SARs with respect to 15,802 common shares that are not exercisable within 60 days of the date hereof.

(20) Amounts in columns (A) and (B) reflect (a) 36,550 common shares owned directly by Mr. Rippert (including 11,243 restricted shares, which are subject to vesting) and (b) stock options and SARs with respect to 37,667 common shares that are exercisable currently or within 60 days of the date hereof. Amounts do not include stock options and SARs with respect to 5,795 common shares that are not exercisable within 60 days of the date hereof.

(21) In addition to securities beneficially owned by the directors and the named executive officers reflected in the table, includes an aggregate of 478,952 common shares, including common shares issuable upon exercise of stock options and SARs that are exercisable currently or within 60 days of the date hereof, which are beneficially owned by executive officers who are not directors of Arch Capital.

Preferred Shares

The following table sets forth information available to us as of March 14, 2018 with respect to the ownership of our non-cumulative preferred shares by (1) each director and named executive officer of Arch Capital who owns such shares and (2) all of the directors and executive officers of Arch Capital as a group. Except as otherwise indicated, each person named below has sole investment and voting power with respect to the securities shown. Our preferred shares are not convertible into common shares, and the holders of the preferred shares do not have any voting rights (except under certain limited circumstances). For a description of the terms of our preferred shares, please see note 19, "Shareholders' Equity," of the notes accompanying our consolidated financial statements included in our 2017 Annual Report.

	Preferred Shares		
Name of Beneficial Owner	Number of Series E Preferred Shares Beneficially	Number of Series F Preferred Shares Beneficially	Percentage of

	Owned	Percentage of Class Owned	Owned	Class Owned
Constantine Iordanou (1)	*	*	10,000	*
Brian S. Posner	6,000	*	_	*
All directors and executive officers (16 persons)	6,000	*	10,000	*

* Denotes beneficial ownership of less than 1%

(1) 7,000 of such preferred shares are directly owned by Mr. Iordanou and 3,000 preferred shares are owned by Mr. Iordanou's spouse.

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Ownership of Watford Holdings Ltd. Shares

We, through certain of our subsidiaries, serve as insurance portfolio manager for Watford Re, a subsidiary of Watford and a privately held multi-line Bermuda reinsurance company. We own common and preferred interests in Watford and have the right to designate two members of Watford's six member board of directors. In addition, Watford has 9,065,200 cumulative redeemable preference shares outstanding with a liquidation preference of $25.00 per share. The preference shares are not convertible into or exchangeable for any other securities or property of Watford and do not have other general rights such as voting powers. For additional information about the terms of the preference shares, please see note 4, "Variable Interest Entity and Noncontrolling Interests," of the notes accompanying our consolidated financial statements included in our 2017 Annual Report. We consolidate Watford's financial results under applicable accounting principles. The following table sets forth information available to us as of March 14, 2018 with respect to the ownership of common and preferred shares of Watford, by (1) each director and named executive officer of Arch Capital who owns such shares and (2) all of the directors and executive officers as a group.

	Common Shares		Preferred Shares		
Name of Beneficial Owner	(A) Number of Watford Common Shares Beneficially Owned(1)	(B) Rule 13d-3 Percentage Owned	(C) Number of Watford Preferred Shares Beneficially Owned(2)	(D) Percentage of Class Owned	
Constantine Iordanou	50,000	*	120,000	1.3	%
Marc Grandisson	125,000	*	—	*	
John M. Pasquesi	125,000	*	—	*	
Nicolas Papadopoulo	62,500	*	—	*	
Maamoun Rajeh	12,500	*	—	*	
Mark D. Lyons	6,250	*	—	*	
Brian S. Posner	6,250	*	—	*	
All directors and executive officers (16 persons)	393,750	2.0 %	130,000	1.4	%

* Denotes beneficial ownership of less than 1%

(1) The purchase price for such shares was $40.00 per share

(2) The purchase price for such shares was $24.50 per share.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our common shares, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of our equity securities. Such persons are also required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, we believe that all persons subject to the reporting requirements of Section 16(a) filed the required reports on a timely basis during the year ended December 31, 2017, except for one report relating to a scheduled vesting event for each of Mr. Iordanou and Mr. Petrillo. The reports were subsequently filed.

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We are pleased to provide our shareholders the opportunity to vote on a non-binding advisory resolution to approve the compensation of our named executive officers as disclosed in this proxy statement.

We have a "pay-for-performance" philosophy that forms the foundation of all decisions regarding compensation of our named executive officers. This compensation philosophy, and the compensation programs approved by the compensation committee of our Board, is central to our ability to attract, retain and motivate individuals who can achieve superior results. Our approach has resulted in our ability to attract and retain the executive talent necessary to guide us during all phases of the underwriting cycle.

We are requesting shareholder approval of the compensation of our named executive officers pursuant to the compensation disclosure rules of the SEC, including the "Compensation Discussion and Analysis," the compensation tables and any related material disclosed in this proxy statement. This vote is not intended to address

any one specific item of compensation, but instead the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

This vote is advisory and therefore not binding on the Company, the compensation committee of the Board or the Board. The Board and the compensation committee value the views of our shareholders and, to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider those shareholders' concerns and will evaluate whether any actions are necessary to address those concerns.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL.

Compensation Discussion and Analysis

This section explains our compensation philosophy, summarizes our compensation programs and reviews compensation decisions for the named executive officers listed below.

Name	Title
Constantine Iordanou	Chairman of the Board and Class II Director of Arch Capital
Marc Grandisson	President, Chief Executive Officer and Class III Director of Arch Capital
Mark D. Lyons	Executive Vice President, Chief Financial Officer and Treasurer of Arch Capital
Nicolas Papadopoulo	Chairman and Chief Executive Officer of Arch Worldwide Insurance Group and Chief Underwriting Officer for the Property & Casualty Group
Maamoun Rajeh	Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group
Andrew T. Rippert	Chairman and Chief Executive Officer of Arch Worldwide Mortgage Group

The compensation committee of our Board (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 appoints each member of the Committee and has determined that each is an independent director under the applicable standards of NASDAQ.

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2017 Performance Highlights[1]

Our discussion in this proxy statement includes certain financial measures that are not presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"), known as "non-GAAP financial measures" as defined by regulations of the Securities and Exchange Commission. More information on the rationale for the use of these measures and reconciliations to GAAP can be found in "Annex C–Non-GAAP Financial Measures."

(U.S. Dollars in millions, except share data)	Year Ended December 31, 2017	2016	Change
Book value per common share at year-end	$60.91	$55.19	10.4 %
Tangible book value per common share at year-end [2]	$56.19	$49.48	13.6 %
Net income available to common shareholders	$566.5	$664.7	(14.8)%
Per share	$4.07	$5.33	(23.6)%
Net income return on average common equity	7.2 %	10.9 %	(3.7)
After-tax operating income available to Arch common shareholders [2]	$447.2	$577.4	(22.6)%
Per share	$3.21	$4.63	(30.7)%
Annualized return on average common equity	7.2 %	10.9 %	(3.7)
Annualized operating return on average common equity [2]	5.7 %	9.4 %	(3.7)
Combined ratio	88.8 %	87.6 %	1.2
Gross premiums written	$6,088	$5,019	21.3 %
Net premiums written	$4,408	$3,518	25.3 %
Underwriting income [2]	$447.4	$447.1	0.1 %
Net investment income	$382	$277	37.8 %
Per share	$2.74	$2.22	23.4 %
Weighted average common shares and common share equivalents outstanding	139.3	124.7	11.7 %

[1] Excludes amounts related to the 'other' segment (i.e., Watford Re). All per share amounts are on a diluted basis.

[2] See "Annex C—Non-GAAP Financial Measures."

We performed reasonably well in 2017, as it was a challenging year for the property casualty industry. In 2017, pricing for many insurance and reinsurance lines remained under pressure and the industry incurred an estimated $130 billion of catastrophe losses as a result of California wildfires, three major Atlantic hurricanes and other natural disasters. Our strategic principles served us well in 2017, as we continue to grow in mortgage insurance, where we find market conditions to be favorable. Mortgage insurance is

an important third leg of our strategy, complementing our strong positions in specialty insurance and reinsurance and serving to counterbalance the cyclical nature of the property casualty market. Our diversification across these segments, together with our strong balance sheet, allows us to allocate capital between and within segments as market conditions dictate. Although the profitability of our property casualty insurance and reinsurance operations declined due to market softness, this was partly offset by the robust growth and excellent profitability of our mortgage insurance and reinsurance activities.

2017 performance highlights, which are considered in our compensation determinations:

Net income available to Arch common shareholders was $566.5 million, or $4.07 per share, a decrease of 23.6% on a per-share basis, while after-tax operating income available to Arch common shareholders was $447.2 million, or $3.21 per share, a decrease of 30.7% on a per-share basis. The lower level of income primarily resulted from catastrophe losses, amortization of intangible assets from the acquisition of United Guaranty Corporation ("UGC") and a one-off charge related to the new U.S. federal tax law.

Our combined ratio for the year was 88.8% with underwriting income of $510.8 million, up 6.7% from 2016.

Net premiums written increased 25.3% to $4.41 billion, emanating primarily from our mortgage segment and highlighting the benefits of our diversification.

Net investment income rose to $382.1 million, a 23.4% increase on a per-share basis, primarily attributable to income generated on investable assets we acquired in the UGC acquisition.
Book value per common share increased 10.4% to $60.91 per share.
Tangible book value per common share increased 13.6% to $56.19 per share.
Our annualized return on average common equity (“Net Income ROE”) was 7.2%, and contributes more directly to value creation and book value growth over time. In addition, Net Income ROE reflects the impact of our investment philosophy of maximizing total returns in our portfolio. Total return on investments includes net investment income, net realized gains and losses, changes in unrealized gains and losses, and equity in the

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net income or losses of investment funds accounted for using the equity method.

Our annualized operating return on average common equity ("Operating ROE") was 5.7%, and is a key driver of book value growth, which produces a stable stream of earnings in the short term.

Our total shareholder return (TSR) was 5.2%, which underperformed the benchmark indices. The annual

return of the S&P 500 Index and the S&P 500 Property & Casualty Insurance Index returned 21.8% and 22.4%, respectively. Although we underperformed the benchmark indices in 2017, our performance has been strong and has exceeded the benchmark indices over the longer term. Refer to "Long-Term Performance" below.

Long-Term Performance

We believe the Company's performance is best measured over the long term. The following charts highlight certain of our key metrics for evaluating financial performance, which are considered in our compensation decisions. In evaluating the performance of the Company in connection with our compensation programs, we focus primarily on two main benchmarks: growth in book and tangible book value per share, which creates long-term shareholder value and Net Income ROE and Operating ROE, which drive book value growth and are key indicators of the efficient use of capital.

Book Value Per Common Share

Since our recapitalization in 2001, strong results have been delivered to our shareholders as our book value per common share has grown by approximately 900% from $6.09 at December 31, 2001 to $60.91 at December 31, 2017. Shareholders who invested in our recapitalization and continue to hold their common shares have seen the book value of their stock increase by 15.5% per year on a compounded basis and the price of their shares increase approximately 1,262% to $90.77 from $6.67.

Growth
in Book
Value Per
Common
Share
[1]