

Effective as of: September 24, 2009

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

**Organization**

The Audit Committee of the Board of Directors of Arch Capital Group Ltd. (the “Company”) shall be composed of three or more Directors. Each member of the Audit Committee shall meet the then independence requirements of the Securities and Exchange Commission (the “SEC”) and The NASDAQ Stock Market LLC (“NASDAQ”) (unless otherwise permitted by the then independence requirements of the SEC and NASDAQ) and shall otherwise be independent of management and the Company and free of any relationship which, in the opinion of the Board of Directors, would interfere with the Director’s exercise of independent judgment as an Audit Committee member.

Audit Committee members shall be appointed by and may be replaced by the Board of Directors. Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement in accordance with the audit committee requirements of NASDAQ. It is expected that at least one member of the Audit Committee shall be a financial expert as defined by the SEC.

**Purpose**

The primary purpose of the Audit Committee is to assist the Board of Directors in monitoring (1) the integrity of the financial statements of the Company, (2) the independent auditor’s qualifications and independence, (3) the performance of the Company’s internal audit function and independent auditors and (4) the compliance by the Company with legal and regulatory requirements.

The Audit Committee is also responsible for producing an annual report for inclusion in the Company’s proxy statement.

It is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Company’s financial statements are in all material respects complete and accurate and in accordance with generally accepted accounting principles. The Company’s financial statements are the responsibility of management. The external auditors are responsible for planning and conducting audits to determine whether the financial statements present fairly in all material respects the financial position of the Company.

The Audit Committee shall also function as the Company’s Qualified Legal Compliance Committee (“QLCC”) under applicable SEC rules and shall have all the rights and powers necessary, and authorities and responsibilities to act as QLCC, including those set forth in such rules and in procedures adopted by the Audit Committee.

## **Meetings**

The Audit Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require, and shall make regular reports to the Board of Directors. In order to foster open communications, the Audit Committee shall meet regularly with management, the independent auditors and internal audit in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately.

## **Committee Authority and Responsibilities**

### **Retention and Oversight of Auditors**

1. The Audit Committee shall have the sole authority to appoint and replace the independent auditors.
2. The Audit Committee shall have direct responsibility for the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting).

### **Independence of Auditors**

3. The Audit Committee shall obtain from the independent auditors each year a formal written statement delineating all relationships between the independent auditors and the Company.
4. The Audit Committee shall periodically engage in a dialogue with the independent auditors regarding any disclosed relationships or services which may impact the objectivity and independence of the independent auditors.
5. The Audit Committee shall pre-approve all audit and permitted non-audit services to be provided to the Company by the independent auditors (or subsequently approve non-audit services in those circumstances where a subsequent approval is necessary and permissible) in accordance with the rules and regulations of the SEC. The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permitted non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its next scheduled meeting.
6. Based on a review of the independent auditors' formal statement and reports and the Audit Committee's dialogue with the independent auditors, the Audit Committee shall make a determination regarding the independence of the independent auditors and take other appropriate action, or recommend that the Board of Directors take such action.

### Review of Financial Statements and Disclosures

7. The Audit Committee shall review with Company management and the independent auditors the proposed overall scope of the Company's annual independent audit, the adequacy and integrity of the Company's system of internal controls, including information technology security and control, and the Company's audited financial statements and related disclosures.

8. The Audit Committee shall discuss with the independent auditors their judgments about the quality (and not merely the acceptability) of the Company's accounting principles as applied in its financial reporting.

9. The Audit Committee shall review with the independent auditors significant changes in accounting principles and practices.

10. The Audit Committee shall, prior to the filing of an audit report with the SEC, obtain from the independent auditors reports on all critical accounting policies and practices to be used, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors.

11. The Audit Committee shall, prior to the filing of an audit report with the SEC, obtain from the independent auditors any other material written communications between the independent auditors and management, including a schedule of unadjusted audit differences.

12. The Audit Committee shall review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

### Compliance and Ethics and Related Procedures

13. The Audit Committee shall establish procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and procedures for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

14. The Audit Committee shall review periodically with management and independent auditors any codes, programs, standards or policies adopted by the Company from time to time which seek to ensure that the business of the Company is conducted in an ethical and legal manner, as well as the systems established by the Company to monitor compliance with such codes, programs, standards or policies. Such reviews will be undertaken in the manner and not less frequently than required by the terms of the applicable code, program, standard or policy.

15. The Audit Committee shall adopt written procedures for the confidential receipt, retention and consideration of any report or evidence of a material violation of SEC Rule 205 relating to QLCCs.

#### Internal Audit

16. The Audit Committee shall review with management and internal audit the charter for the internal audit function and plans, activities, staffing and organizational structure of the internal audit function. The Audit Committee shall review the effectiveness of the internal audit function.

#### Regulatory Matters

17. The Audit Committee shall review with the Company's counsel any legal and regulatory matters that may have a material impact on the Company's financial statements.

18. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.

19. The Audit Committee shall review and assess compliance with all applicable rules and regulations of the SEC and NASDAQ specifically applicable to the composition and responsibilities of the Audit Committee.

#### Certain Authorities

20. The Audit Committee shall engage independent counsel and other advisers as it determines necessary or appropriate to carry out its duties.

21. The Audit Committee is empowered to seek any information it requires from employees.

#### Other Responsibilities

22. The Audit Committee shall perform such other activities as the Board of Directors may from time to time deem necessary or appropriate.