

US BANCORP \DE\
Form 424B3
August 21, 2006

Table of Contents

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but it is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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SUBJECT TO COMPLETION, DATED AUGUST 21, 2006

PROSPECTUS SUPPLEMENT (To Prospectus Dated August 3, 2005)

Securities
USB Capital XI

Trust Preferred Securities
fully and unconditionally guaranteed by

The % Trust Preferred Securities, each with a \$25 liquidation amount, are referred to in this prospectus supplement as the capital securities. Each capital security represents an undivided beneficial interest in the assets of USB Capital XI, or the trust, which is a Delaware statutory trust. U.S. Bancorp will own all of the common securities of the trust.

The only assets of the trust will be % Income Capital Obligation Notessm due , 2066, issued by U.S. Bancorp, which we refer to in this prospectus supplement as the ICONs, and related proceeds. The trust will pay distributions on the capital securities only from the proceeds, if any, of interest payments on the ICONs. The ICONs are junior subordinated debt instruments and will bear interest from the date they are issued at the annual rate of % of their principal amount, payable quarterly in arrears on March , June , September , and December of each year, beginning December , 2006.

We may elect to defer interest payments on the ICONs as described in this prospectus supplement. We will not be required to settle deferred interest pursuant to the alternative payment mechanism described in this prospectus supplement until we have deferred interest for five consecutive years or made a payment of current interest, and we may defer interest for up to ten years without giving rise to an event of default and acceleration. If we do not pay interest on the ICONs, the trust will not make the corresponding distributions on the capital securities. U.S. Bancorp will guarantee payment of distributions on the capital securities only to the extent U.S. Bancorp makes corresponding payments to the trust on the ICONs. Deferred interest may be cancelled in certain limited circumstances, and in the event of bankruptcy, holders may have a limited claim for deferred interest.

We may redeem the ICONs in whole or in part on or after , 2011, or in whole at any time if certain changes occur in tax or investment company laws and regulations or if the capital securities cease to constitute Tier 1 capital of U.S. Bancorp for regulatory capital purposes. We will not redeem the ICONs unless we obtain the prior approval of the Board of Governors of the Federal Reserve System to do so, if such approval is then required. To the extent we redeem the ICONs, the trust must redeem a corresponding amount of the capital securities.

Investing in the capital securities involves risks. See Risk Factors beginning on page S-14.

The capital securities and the ICONs are not deposits or other obligations of a bank. They are not insured by the FDIC or any other government agency. We will apply to list the capital securities on the New York Stock Exchange under the symbol USB Pr J . Trading of the capital securities on the New York Stock Exchange is expected to commence within 30 days of the date of the initial delivery of the capital securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Capital Security	Total
Public offering price(1)	\$	\$
Underwriting commission to be paid by U.S. Bancorp(2)	\$	\$
Proceeds (before expenses)	\$	\$

(1) Any accrued distributions on the capital securities from , 2006 should be added to the public offering price.

(2) U.S. Bancorp will pay the underwriters compensation of \$ per capital security for sales of more than capital securities to a single purchaser. As a result of such sales, the total underwriting discounts will decrease, and the total proceeds to U.S. Bancorp will increase, by \$.

We have granted the underwriters a right to request from us the opportunity to purchase up to additional capital securities at the public offering price less the underwriting commission of \$ per capital security, within 30 days from the date of this prospectus supplement, to cover over-allotments, if any.

The underwriters expect to deliver the capital securities in book-entry form only through The Depository Trust Company on or about , 2006.

Joint Book-runners

Citigroup

Merrill Lynch & Co.

Morgan Stanley

Structuring Advisor

A.G. Edwards & Sons

RBC Dain Rauscher

UBS Investment Bank

Wachovia Securities

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

Charles Schwab

Credit Suisse

Goldman Sachs

Lehman Brothers

Stifel Nicolaus

The date of this prospectus supplement is _____, 2006.

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TABLE OF CONTENTS**Prospectus Supplement**

	Page
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-14
<u>Forward-Looking Statements</u>	S-19
<u>U.S. Bancorp</u>	S-19
<u>USB Capital XI</u>	S-19
<u>Use of Proceeds</u>	S-21
<u>Accounting Treatment</u>	S-21
<u>Regulatory Treatment</u>	S-21
<u>Ratio of Earnings to Fixed Charges</u>	S-21
<u>Certain Terms of the Capital Securities</u>	S-22
<u>Certain Terms of the ICONs</u>	S-28
<u>Relationship Among the Capital Securities, the ICONs and the Guarantee</u>	S-36
<u>Certain Terms of the Replacement Capital Covenant</u>	S-38
<u>Certain United States Federal Income Tax Consequences</u>	S-38
<u>ERISA Considerations</u>	S-43
<u>Underwriting</u>	S-46
<u>Legal Matters</u>	S-48
<u>Experts</u>	S-48
Prospectus	
<u>About this Prospectus</u>	3
<u>Where You Can Find More Information</u>	3
<u>About U.S. Bancorp</u>	4
<u>About the Trusts</u>	5
<u>Use of Proceeds</u>	5
<u>Ratio of Earnings to Fixed Charges</u>	6
<u>Description of Junior Subordinated Debt Securities</u>	6
<u>Description of Capital Securities</u>	15
<u>Description of the Guarantee</u>	22
<u>Relationship among the Capital Securities, the Corresponding Junior Subordinated Debt Securities and the Guarantees</u>	24
<u>Book-Entry Issuance</u>	25
<u>Plan of Distribution</u>	26
<u>Validity of Securities</u>	27
<u>Experts</u>	27
<u>Glossary</u>	28

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus may be used only for the purpose for which they have been prepared. No one is authorized to give information other than that contained in this prospectus supplement and the accompanying prospectus and in the documents referred to in this prospectus supplement and the accompanying prospectus and which are made available to the public. We have not, and the

underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase, any of the capital securities, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Table of Contents

SUMMARY

The following information should be read together with the information contained in other parts of this prospectus supplement and in the accompanying prospectus. It may not contain all the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus to understand fully the terms of the capital securities and the related guarantee and the ICONs, as well as the tax and other considerations that are important to you in making a decision about whether to invest in the capital securities. To the extent the following information is inconsistent with the information in the accompanying prospectus, you should rely on the following information. You should pay special attention to the Risk Factors section of this prospectus supplement to determine whether an investment in the capital securities is appropriate for you.

About U.S. Bancorp

We are a multi-state financial holding company headquartered in Minneapolis, Minnesota. We were incorporated in Delaware in 1929 and operate as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956. We provide a full range of financial services through our subsidiaries, including lending and depository services, cash management, foreign exchange and trust and investment management services. Our subsidiaries also engage in credit card services, merchant and automated teller machine processing, mortgage banking, insurance, brokerage and leasing services. We are the parent company of U.S. Bank National Association and U.S. Bank National Association ND.

Our common stock is traded on the New York Stock Exchange under the ticker symbol USB . Our principal executive offices are located at 800 Nicollet Mall, Minneapolis, Minnesota 55402. Our telephone number is (651) 466-3000.

About USB Capital XI

USB Capital XI is a statutory trust organized under Delaware law by the trustees and us. USB Capital XI was established solely for the following purposes:

- to issue the capital securities, which represent undivided beneficial ownership interests in USB Capital XI s assets, to the public;
- to use proceeds from the sale of capital securities to buy our % Income Capital Obligation Notessm (ICONs) due 2066;
- to issue the common securities in a total liquidation amount of \$1,000,000 to us in exchange for our ICONs;
- to maintain USB Capital XI s status as a grantor trust for United States federal income tax purposes; and
- to engage in other activities that are directly related to the activities described above, such as registering the transfer of the capital securities.

Because USB Capital XI was established only for the purposes listed above, the ICONs will be USB Capital XI s sole assets. Payments on the ICONs will be USB Capital XI s sole source of income. USB Capital XI will issue only one series of capital securities.

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Table of Contents

The Offering

Title USB Capital XI % Trust Preferred Securities.

Securities Offered capital securities in denominations of \$25 each with an aggregate liquidation amount of \$. Each capital security will represent an undivided beneficial ownership interest in the assets of the trust. Each capital security will entitle its holder to receive quarterly cash distributions as described below.

USB Capital XI The issuer of the capital securities is USB Capital XI, a Delaware statutory trust. We created it for the sole purpose of issuing the capital securities to the public, using the proceeds of the sale to buy our % Income Capital Obligation Notessm (ICONs) due 2066, issuing common securities in a total liquidation amount of \$1,000,000 to us in exchange for an additional amount of ICONs, and engaging in the other transactions described below. The ICONs are junior subordinated debt instruments.

USB Capital XI has five trustees. The three administrative trustees are officers of U.S. Bancorp. Wilmington Trust Company will act as the property trustee and the Delaware trustee of the trust.

The trust will hold the ICONs that we issue to it in exchange for the issuance of common securities to us. We will retain the common securities that we receive from the trust. The trust will make payments on the capital securities at the same rate and at the same times as we pay interest on the ICONs. The trust will use the payments it receives on the ICONs to make the corresponding payments on the capital securities. We will guarantee payments made on the capital securities to the extent described below. Both the ICONs and the guarantee will be subordinated to our other indebtedness to the extent described under Certain Terms of the ICONs Ranking of the ICONs and Guarantee .

Distributions If you purchase the capital securities, as an undivided beneficial owner of the ICONs, you will be entitled to receive cumulative cash distributions at an annual rate of %. Interest on the ICONs will accrue, and as a result distributions on the capital securities will accumulate from the initial issuance, and will be paid quarterly in arrears on March , June , September , and December of each year, beginning December , 2006, unless they are deferred as described below.

Distribution Deferral We can, on one or more occasions, defer the quarterly interest payments on the ICONs for one or more periods (each, an Optional Deferral Period) of up to 20 consecutive quarters, or five years, without being subject to our obligations described under Certain Terms of the ICONs Alternative Payment Mechanism , and for one or more consecutive interest periods that do not exceed a total of ten consecutive years without giving rise to an event of default and acceleration under the terms of the ICONs or the capital securities. A deferral of interest payments cannot extend, however,

beyond the maturity date of the ICONs, nor can we begin

S-2

Table of Contents

a new Optional Deferral Period until we have paid all accrued interest on the ICONs.

If we defer interest payments on the ICONs, the trust also will defer distributions on the capital securities. Any deferred interest on the ICONs will accrue additional interest at an annual rate of % (which rate will be equal to the annual interest rate on the ICONs), compounded quarterly, to the extent permitted by applicable law. Once we pay all deferred interest payments on the ICONs, including all accrued interest (but excluding any cancelled interest), we can again defer interest payments on the ICONs as described above, but not beyond the maturity date of the ICONs.

We will provide to the trust written notice of any optional deferral of interest at least ten and not more than 60 business days prior to the applicable interest payment date, and any such notice will be forwarded promptly by the trust to each holder of record of capital securities.

On or immediately following the first interest payment date during an Optional Deferral Period on which we elect to pay current interest or, if earlier, by the next interest payment date following a five-year Optional Deferral Period:

unless we notify the trust that a Market Disruption Event (as defined below) has occurred and except as otherwise described below, we will be required to sell our qualifying warrants or common stock and/or perpetual non-cumulative preferred stock pursuant to the Alternative Payment Mechanism (as defined below) and use the net proceeds of those sales to pay all accrued and unpaid deferred interest on the ICONs on or prior to the next interest payment date, in each case as described below under Certain Terms of the ICONs Alternative Payment Mechanism ; and

we will be prohibited from paying deferred interest on the ICONs (and compounded amounts thereon) from any other source until all accrued and unpaid deferred interest has been paid pursuant to the Alternative Payment Mechanism as described under Certain Terms of the ICONs Alternative Payment Mechanism (the Alternative Payment Mechanism). We may pay current interest from any available funds.

Although the failure to comply with the foregoing rules with respect to the Alternative Payment Mechanism and payment of interest during an Optional Deferral Period would be a breach of our obligations under the ICONs, it would not constitute an event of default or give rise to a right of acceleration under the indenture. However, an event of default under the indenture will occur if we fail to pay all accrued and unpaid interest for a period of more than ten consecutive years after the commencement of an Optional Deferral Period.

Furthermore, if the Board of Governors of the Federal Reserve System (the Federal Reserve Board) has disapproved of the sale

Table of Contents

of qualifying warrants or common stock and/or perpetual non-cumulative preferred stock pursuant to the Alternative Payment Mechanism, we may pay interest from any source without a breach of our obligations under the indenture. In addition, if we sell qualifying warrants or common stock and/or perpetual non-cumulative preferred stock pursuant to the Alternative Payment Mechanism but the Federal Reserve Board disapproves of the use of the proceeds to pay deferred interest, we may use the proceeds for other purposes and continue to defer interest without a breach of our obligations under the indenture. See Certain Terms of the ICONs Option to Defer Interest Payments .

If the Optional Deferral Period continues for ten consecutive years and at the expiration of such period, (i) no event of default and acceleration under the indenture is continuing and (ii) we have been unable, due to the warrant and common stock issuance cap and the preferred stock issuance cap , each as defined under Certain Terms of the ICONs Alternative Payment Mechanism, to raise sufficient proceeds from the sale of qualifying warrants or common stock and/or qualifying non-cumulative perpetual preferred stock to pay all deferred interest (and compounded amounts) attributable to the first five years of such Optional Deferral Period, then our obligation to pay any remaining deferred interest (and compounded amounts) attributable to those five years in excess of these caps will be permanently cancelled, as will the rights of holders to receive corresponding distributions on the capital securities. See Certain Terms of the ICONs Option to Defer Interest Payments .

Alternative Payment Mechanism

Subject to the exclusions described below and in Certain Terms of the ICONs Market Disruption Events , if we have optionally deferred interest payments otherwise due on the ICONs we will be required, commencing not later than on or immediately following the first interest payment date during an Optional Deferral Period on which we elect to pay current interest, or, if earlier, by the next interest payment date following a five-year Optional Deferral Period, to sell our qualifying warrants or common stock and/or perpetual non-cumulative preferred stock until we have raised an amount of Eligible Equity Proceeds, as described below, at least equal to the aggregate amount of deferred interest on the ICONs that will be accrued and unpaid as of the next interest payment date. We have agreed to pay all accrued and unpaid deferred interest on the ICONs on or before the next interest payment date to the extent, and only to the extent, of those Eligible Equity Proceeds, provided that our use of other sources of funds to pay deferred interest payments would not, by itself, be an event of default under the indenture that would permit the trust or holders of capital securities to accelerate the ICONs.

For each interest payment date, Eligible Equity Proceeds means the net proceeds (after underwriters or placement agents fees, commissions or discounts and other expenses relating to the issuances) we have received during the 180-day period prior to that interest payment date from the sale or offering of any combination

Table of Contents

of the following equity securities (subject to certain caps and other limitations described below) to persons that are not our affiliates:

qualifying warrants , which are net share settled warrants to purchase our common stock that have an exercise price greater than the current stock market price of our common stock as of their date of issuance, that we are not entitled to redeem for cash and the holders of such warrants are not entitled to require us to repurchase for cash in any circumstance; or

shares of our common stock, including treasury shares and shares of common stock sold pursuant to our dividend reinvestment plan and employee benefit plans; and/or

perpetual non-cumulative preferred stock , which means shares of our perpetual non-cumulative preferred stock that (i) are subject to a replacement capital covenant similar to the Replacement Capital Covenant described herein and/or (ii) contain provisions which would oblige us to defer dividends, or fund dividends pursuant to an alternative payment mechanism similar to the Alternative Payment Mechanism described herein, upon the occurrence of certain events,

provided, in each case, that we have obtained the prior approval of the Federal Reserve Board for the issuance and sale of such securities. If the Federal Reserve Board disapproves of the issuance and sale of such securities, we may pay interest from any source without a breach of our obligations under the indenture. In addition, if we sell such securities pursuant to the Alternative Payment Mechanism but the Federal Reserve Board disapproves the use of the proceeds to pay deferred interest, we may use the proceeds for other purposes and continue to defer interest without a breach of our obligations under the indenture.

Our issuance of qualifying warrants or common stock and/or perpetual non-cumulative preferred stock under the Alternative Payment Mechanism is subject to certain caps and other limitations, as described in Certain Terms of the ICONs Alternative Payment Mechanism .

Market Disruption Events

A Market Disruption Event means the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally (or shares of our securities specifically) on the New York Stock Exchange or any other national securities exchange or over-the-counter market on which our common stock and/or preferred stock is then listed or traded shall have been suspended or its settlement generally shall have been materially disrupted;

we would be required to obtain the consent or approval of a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue qualifying warrants or shares of our common stock and/or perpetual non-cumulative preferred stock, and we

fail to obtain that consent or approval notwithstanding our commercially reasonable efforts to obtain

S-5

Table of Contents

that consent or approval (including, without limitation, (i) failing to obtain approval for such issuance from the Federal Reserve Board after having given notice to the Federal Reserve Board as required under the indenture, or (ii) failing to obtain approval of the Federal Reserve Board for the use of the proceeds of such issuance to pay deferred interest); or

an event occurs and is continuing as a result of which the offering document for the offer and sale of qualifying warrants or shares of our common stock and/or perpetual non-cumulative preferred stock would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event at the time the event occurs, in our reasonable judgment, would have a material adverse effect on our business or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede our ability to consummate that transaction, provided that one or more events described under this bullet shall not constitute a Market Disruption Event with respect to more than one interest payment date.

We will be excused from our obligations under the Alternative Payment Mechanism in respect of any interest payment date if we provide written certification to the trust (which the trust will promptly forward upon receipt to each holder of record of capital securities) no more than 20 and no fewer than ten business days in advance of that interest payment date certifying that:

a Market Disruption Event was existing after the immediately preceding interest payment date; and

either (a) the Market Disruption Event continued for the entire period from the day after the immediately preceding interest payment date on which the Market Disruption Event occurred to the business day immediately preceding the date on which that certification is provided or (b) the Market Disruption Event continued for only part of this period, but we were unable after commercially reasonable efforts to raise sufficient Eligible Equity Proceeds during the rest of that period to pay all accrued and unpaid interest.

Our certification of a Market Disruption Event will identify which type of Market Disruption Event has occurred with respect to the applicable interest payment date, and the date(s) on which that event occurred or existed.

If, due to a Market Disruption Event or otherwise, we were able to raise some, but not all, Eligible Equity Proceeds in respect of any interest payment date, we will apply any available Eligible Equity Proceeds in chronological order to pay accrued and unpaid deferred interest no later

than the applicable interest payment date, and you will be entitled to receive your pro rata share of any amounts

S-6

Table of Contents

received on the ICONs; provided, however, that if we have outstanding securities in addition to the ICONs under which we are obligated to sell qualifying warrants or shares of our common stock and/or perpetual non-cumulative preferred stock and apply the net proceeds to the payment of deferred interest, then on any date and for any period the amount of net proceeds received by us from those sales and available for payment of the deferred interest shall be applied to the ICONs and those other securities on a pro rata basis, or on such other basis as the Federal Reserve Board may approve.

Dividend Stopper

Unless we have paid all accrued and payable interest on the ICONs (which does not include any cancelled interest), we will not and our subsidiaries will not do any of the following, with certain limited exceptions:

declare or pay any dividends or distributions, or redeem, purchase, acquire, or make a liquidation payment on any of our capital stock;

make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities (including other ICONs) that rank equally with or junior in interest to the ICONs; or

make any guarantee payments on any guarantee of debt securities of any of our subsidiaries (including under other guarantees of ICONs) if the guarantee ranks equally with or junior in interest to the ICONs, except in some circumstances.

Redemption

The trust will redeem all of the outstanding capital securities when the ICONs are repaid at maturity. The ICONs are scheduled to mature on , 2066.

In addition, if we redeem any ICONs before their maturity, the trust will use the cash it receives on the redemption of the ICONs to redeem, on a proportionate basis, the capital securities and the common securities. We can redeem the ICONs before their maturity at 100% of their principal amount plus accrued and unpaid interest in whole or in part on one or more occasions any time on or after , 2011, or in whole at any time if certain changes occur in tax or investment company laws and regulations or if the capital securities cease to constitute Tier 1 capital of U.S. Bancorp under the capital guidelines of the Federal Reserve Board. These circumstances are more fully described below under the caption Certain Terms of the ICONs Redemption in this prospectus supplement.

We will not redeem the ICONs before their maturity unless we obtain the prior approval of the Federal Reserve Board to do so, if such approval is then required by the Federal Reserve Board.

Replacement Capital Covenant

Around the time of the initial issuance of the ICONs, we will enter into a Replacement Capital Covenant (as defined under Certain Terms of the Replacement Capital Covenant) in which we will covenant for the benefit

of holders of a designated series of our

S-7

Table of Contents

indebtedness, other than the ICONs, or in certain limited cases a designated series of indebtedness of our subsidiary, U.S. Bank National Association, that we will not redeem or repurchase the ICONs and the trust will not redeem or repurchase the capital securities on or before , 2056, unless (a) subject to certain limitations, during the 180 days prior to the date of that redemption or repurchase we have received proceeds from the sale of specified securities that (i) have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the ICONs at that time and (ii) qualify as Tier 1 capital of U.S. Bancorp under the capital guidelines of the Federal Reserve Board and (b) we have obtained the prior approval of the Federal Reserve Board, if such approval is then required by the Federal Reserve Board. The Replacement Capital Covenant is not intended for the benefit of holders of the ICONs or capital securities and may not be enforced by them, and the Replacement Capital Covenant is not a term of the indenture, the trust agreement, the ICONs or the capital securities.

Liquidation Preference

Upon any dissolution, winding-up or liquidation of USB Capital XI involving the liquidation of the ICONs, the holders of the capital securities will be entitled to receive, out of assets held by the trust, subject to the rights of any creditors of the trust, the liquidation distribution in cash. The trust will be able to make this distribution of cash only if we redeem the ICONs.

The Guarantee

We will fully and unconditionally guarantee the payment of all amounts due on the capital securities to the extent the trust has funds available for payment of such distributions. The guarantee will be subordinated to our other indebtedness to the extent described under Ranking of the ICONs and Guarantee below.

We also are obligated to pay most of the expenses and obligations of the trust (other than the trust's obligations to make payments on the capital securities and common securities, which are covered only by the guarantee).

The guarantee does not cover payments when the trust does not have sufficient funds to make payments on the capital securities. In other words, if we do not make a payment on the ICONs, the trust will not have sufficient funds to make payments on the capital securities, and the guarantee will not obligate us to make those payments on the trust's behalf. In addition, our obligations under the guarantee are subordinate to our obligations to other creditors to the same extent as the ICONs. For more information, see Description of the Guarantee in the accompanying prospectus.

Ranking of the ICONs and Guarantee

Our payment obligations under the ICONs and the guarantee will be unsecured and will rank junior and be subordinated in right of payment and upon liquidation to all of our current and future indebtedness, including, among other things, indebtedness for borrowed money,

indebtedness evidenced by bonds, debentures, notes or similar instruments, similar obligations arising from off-balance sheet guarantees and direct credit substitutes, obligations

S-8

Table of Contents

associated with derivative products including but not limited to interest rate and foreign exchange contracts and forward contracts related to mortgages, commodity contracts, capitalized lease obligations, and guarantees of any of the foregoing, but not including trade account payables and accrued liabilities arising in the ordinary course of business; provided, however, that the ICONs and the guarantee will rank equally in right of payment with any Pari Passu Securities.

Pari Passu Securities means: (i) indebtedness that, among other things, (a) qualifies as, or is issued to financing vehicles issuing securities that qualify as, Tier 1 capital of U.S. Bancorp at the time of issuance under the capital guidelines of the Federal Reserve Board and (b) by its terms ranks equally with our 6.35% Income Capital Obligation Notes underlying the trust preferred securities issued by USB Capital VIII, our Junior Subordinated Notes underlying the 6.189% Fixed-to-Floating Rate Normal Income Trust Securities issued by USB Capital IX, our 6.50% Income Capital Obligation Notes underlying the trust preferred securities issued by USB Capital X and the ICONs in right of payment and upon liquidation; and (ii) guarantees of indebtedness described in clause (i) or securities issued by one or more financing vehicles described in clause (i).

Pari Passu Securities does not include our junior subordinated debentures or guarantees issued in connection with our currently outstanding and future traditional trust preferred securities, each of which will rank senior to the capital securities issued by USB Capital VIII, USB Capital IX and USB Capital X and being issued by USB Capital XI.

As a holding company, our assets primarily consist of the equity securities of our subsidiaries. As a result, the ability of holders of the ICONs to benefit from any distribution of assets of any subsidiary upon the liquidation or reorganization of such subsidiary is subordinate to the prior claims of present and future creditors of that subsidiary. The capital securities, the ICONs and the guarantee do not limit our or our subsidiaries' ability to incur additional debt, including debt that ranks senior in priority of payment to the ICONs and the guarantee. At June 30, 2006, our indebtedness and obligations, on an unconsolidated basis, totaled approximately \$14 billion. In addition, the ICONs will be effectively subordinated to all of our subsidiaries' existing and future indebtedness and other obligations, including, but not limited to, obligations to depositors. At June 30, 2006, our subsidiaries' direct borrowings and deposit liabilities totaled approximately \$171 billion.

Trust Enforcement Events

An event of default under the indenture constitutes an event of default under the amended and restated trust agreement. We refer to such an event as a "Trust Enforcement Event". For more information on events of default under the indenture, see "Certain Terms of the ICONs - Events of Default and Acceleration" in this prospectus supplement. Upon the occurrence and continuance of a Trust Enforcement Event, the property trustee, as the sole holder of the ICONs, will have the right under the indenture to declare the principal amount of the ICONs due and payable. See "Certain

Table of Contents

Terms of the ICONs Events of Default and Acceleration . The amended and restated trust agreement does not provide for any other events of default.

If the property trustee fails to enforce its rights under the ICONs (whether or not a Trust Enforcement Event has occurred), any holder of capital securities may, to the extent permitted by applicable law, institute a legal proceeding against us to enforce the property trustee's rights under the ICONs and the indenture without first instituting legal proceedings against the property trustee or any other person. In addition, if a Trust Enforcement Event has occurred due to our failure to pay interest in full on the ICONs for a period of 30 days after the conclusion of a ten-year period following the commencement of any Optional Deferral Period, then the registered holder of capital securities may institute a direct action on or after the due date directly against us for enforcement of payment to that holder of the principal of or interest on the ICONs having a principal amount equal to the total liquidation amount of that holder's capital securities. See Certain Terms of the ICONs Events of Default and Acceleration . In connection with such a direct action, we will have the right under the indenture to set off any payment made to that holder by us. The holders of capital securities will not be able to exercise directly any other remedy available to the holders of the ICONs.

Pursuant to the amended and restated trust agreement, the holder of the common securities will be deemed to have waived any Trust Enforcement Event regarding the common securities until all Trust Enforcement Events regarding the capital securities have been cured, waived or otherwise eliminated. Until all Trust Enforcement Events regarding the capital securities have been so cured, waived or otherwise eliminated, the property trustee will act solely on behalf of the holders of the capital securities and only the holders of the capital securities will have the right to direct the enforcement actions of the property trustee.

Voting Rights

Holders of capital securities will have only limited voting rights. In particular, holders of capital securities may not elect or remove any trustee, except after a Trust Enforcement Event. If a Trust Enforcement Event occurs, a majority in liquidation amount of the holders of the capital securities would be entitled to remove or appoint the property trustee and the Delaware trustee.

Dissolution of the Trust and Distribution of the ICONs

We can dissolve USB Capital XI at any time, subject to obtaining the prior approval of the Federal Reserve Board to do so, if such approval is then required by the Federal Reserve Board.

If we dissolve the trust, or if the trust dissolves because of certain other specified events (such as our bankruptcy), the trust will distribute the ICONs to holders of the capital securities and the common securities on a proportionate basis.

Use of Proceeds

The net proceeds from the offering of the capital securities are estimated to be \$, or \$ if the underwriters exercise their

S-10

Table of Contents

over-allotment option in full. USB Capital XI will use the proceeds of the sale of the capital securities to purchase the ICONs. We intend to use all of the proceeds from the sale of the ICONs for general corporate purposes. We expect the capital securities to qualify as Tier 1 capital of U.S. Bancorp under the capital guidelines of the Federal Reserve Board.

Listing

We will apply to list the capital securities on the New York Stock Exchange. Trading is expected to commence within 30 days after the capital securities are first issued. You should be aware that the listing of the capital securities will not necessarily ensure that an active trading market will be available for the capital securities or that you will be able to sell your capital securities at the price you originally paid for them.

If USB Capital XI distributes the ICONs, we will use our best efforts to list them on the New York Stock Exchange or wherever the capital securities are then listed.

Expected Ratings

We expect that the capital securities will be rated A1, A and A+ by Moody's Investor Services, Standard & Poor's and Fitch Ratings, respectively. None of these securities ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

Form of the Capital Securities

The capital securities will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company, New York, New York. This means that you will not receive a certificate for your capital securities and the capital securities will not be registered in your name. For more details, see the information under the caption "Book-Entry Issuance" in the accompanying prospectus.

U.S. Federal Income Tax Consequences

In connection with the issuance of the capital securities, Squire, Sanders & Dempsey L.L.P., as special tax counsel, will render its opinions to us and the trust that, for United States federal income tax purposes, (i) the trust will be classified as a grantor trust and not an association taxable as a corporation and (ii) the ICONs will be classified as indebtedness (although there is no clear authority on point). These opinions are subject to certain customary conditions. See "Certain United States Federal Income Tax Consequences" .

Each purchaser of capital securities or a beneficial interest therein agrees to treat the trust as a grantor trust and itself as the owner of an undivided beneficial interest in the ICONs, and to treat the ICONs as indebtedness for all United States federal, state and local tax purposes. We intend to treat the trust and the ICONs in the same manner.

A holder of the capital securities thus will include its proportionate share of income and deductions on the ICONs for United States federal tax purposes. If we elect to defer interest on the ICONs, the

Table of Contents

holders of the capital securities will be required to accrue income for United States federal income tax purposes in an amount of the accumulated distributions on the ICONs, in the form of original issue discount, even though cash distributions are deferred and even though they may be cash basis taxpayers.

Risk Factors

See **Risk Factors** and the other information in this prospectus supplement, the accompanying prospectus and our reports incorporated by reference therein for a discussion of factors you should carefully consider before deciding to invest in the capital securities.

S-12

Table of Contents**Selected Consolidated Condensed Financial Data**

The following is selected audited consolidated condensed financial information for U.S. Bancorp for each of the years ended December 31, 2005, 2004 and 2003, and our selected unaudited consolidated condensed financial information for the six-months ended June 30, 2006 and 2005. The summary below should be read in conjunction with our consolidated financial statements, and the related notes thereto as incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	Year Ended December 31		
			2005	2004	2003
	(\$ and shares in millions, except per share data)				
Condensed Income Statement					
Net interest income (taxable-equivalent basis)	\$ 3,422	\$ 3,512	\$ 7,088	\$ 7,140	\$ 7,217
Noninterest income	3,366	2,981	6,151	5,624	5,068
Securities gains (losses), net	3	(58)	(106)	(105)	245
Total net revenue (taxable-equivalent basis)	6,791	6,435	13,133	12,659	12,530
Noninterest expense	3,030	2,926	5,863	5,785	5,597
Provision for credit losses	240	316	666	669	1,254
Income from continuing operations before taxes	3,521	3,193	6,604	6,205	5,679
Taxable-equivalent adjustment	21	14	33	29	28
Applicable income taxes	1,146	987	2,082	2,009	1,941
Income from continuing operations	2,354	2,192	4,489	4,167	3,710
Discontinued operations (after-tax)					23
Net income	\$ 2,354	\$ 2,192	\$ 4,489	\$ 4,167	\$ 3,733
Net income applicable to common equity	\$ 2,337	\$ 2,192	\$ 4,489	\$ 4,167	\$ 3,733
Financial Ratios	-				

*

Effective September 1, 2012, Mr. Lyons was promoted to executive vice president, chief financial officer, chief risk officer and treasurer of ACGL. He succeeded John C.R. Hele, who resigned on August 31, 2012. Mr. McElroy succeeded Mr. Lyons as chairman and chief executive officer of Arch Worldwide Insurance Group.

Mark D. Lyons has served as executive vice president, chief financial officer, chief risk officer and treasurer of ACGL since September 2012, and he also serves as a member of the Company's Executive Strategy Committee. Prior to that, he served as chairman and chief executive officer of Arch Worldwide Insurance Group, an executive position of ACGL, and chairman and chief executive officer of Arch Insurance Group Inc. ("Arch Insurance Group") since July 2008. Prior thereto, he served as president and chief operating officer of Arch Insurance Group from June 2006. Prior to June 2006, he served as executive vice president of group operations and chief actuary of Arch Insurance Group from August 2003. From August 2002 to 2003, he was senior vice president of group operations and chief actuary of Arch Insurance Group. From 2001 until August 2002, Mr. Lyons worked as an independent consultant. From 1992 to 2001, Mr. Lyons was executive vice president of

product services at Zurich U.S. From 1987 until 1992, he was a vice president and actuary at Berkshire Hathaway Insurance Group. Mr. Lyons holds a B.S. degree from Elizabethtown College. He is also an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries. Mr. Lyons is a trustee of Elizabethtown College and on the Board of Visitors for the Wake Forest University School of Business.

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

Table of Contents

David H. McElroy has served as chairman and chief executive officer of Arch Worldwide Insurance Group, an executive position of ACGL, since September 2012, and he also serves as a member of the Company's Executive Strategy Committee. He joined Arch Insurance Group in 2009 as the president of the financial and professional liability group, which is comprised of the executive assurance, professional liability, surety and healthcare lines. Prior to joining Arch Insurance Group, Mr. McElroy was a senior vice president at The Hartford Financial Services Corporation. He joined Hartford in 2000 from the acquisition of the directors and officers and errors and omissions business of Reliance National. He started his career at Chubb. Mr. McElroy is a graduate of Temple University with a B.A. degree in business administration.

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

Michael R. Murphy has served as chief underwriting officer of Arch Worldwide Insurance Group, an executive position of ACGL, and president of Arch Insurance Group since September 2012, and he also serves as a member of the Company's Executive Strategy Committee. Mr. Murphy joined Arch Insurance Group in 2002 as an executive vice president, serving in that position until 2008 when he was promoted to senior executive vice president. In 2009, he became the president of the property & casualty segment, and assumed his current position in September 2012. From 1994 to 2002, he held several senior underwriting positions at Zurich Specialties, a division of Zurich Financial Services. Prior to entering the insurance industry, he was a lawyer in private practice. Mr. Murphy has a B.A. from Colorado College, a J.D. from The University of Colorado and an M.M. from the Kellogg School of Management of Northwestern University.

Timothy J. Olson has been chief executive officer of Arch Reinsurance Company ("Arch Re U.S.") since November 2009 and president of Arch Re U.S. since March 2009. From April 2004 to February 2009, he was executive vice president and chief underwriting officer of Arch Re U.S. Prior thereto, he was managing director-treaty casualty of Arch Re U.S. from November 2001 to April 2004. From August 2001 until November 2001, Mr. Olson was senior vice president of Holborn Reinsurance. Prior to that time, he held various executive level positions at St. Paul Re, including executive vice president-international since 1998. From September 1986 until April 1998, Mr. Olson was employed by F&G Re as an executive vice president. From 1996-1998 he was a member of the board of directors of Ashley Palmer, a Lloyd's Managing Agency. Mr. Olson holds a B.A. from Gustavus Adolphus College, and he is a chartered property casualty underwriter.

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

Table of Contents

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

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

Board of Directors

Leadership Structure

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

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

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

Table of Contents

necessary for the independent directors to effectively and responsibly perform their duties. The lead director is also available, when appropriate, for consultation and direct communication with major shareholders.

Board Independence and Composition

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

Role in Risk Oversight

Our Board, as a whole and also at the committee level, has an active role in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's business and operations, including with respect to underwriting, investments, capital management, liquidity, financial reporting and compliance, as well as the risks associated with these activities. Committees of the Board help oversee the business and operations of the Company. The underwriting oversight committee oversees risks relating to our underwriting activities, including with respect to accumulations and aggregations of exposures in our insurance and reinsurance businesses. The members of the underwriting oversight committee regularly participate in the underwriting review meetings held in our insurance and reinsurance operations. The audit committee oversees management of financial reporting and compliance risks. The compensation committee is responsible for overseeing the management of risks relating to the Company's compensation plans and arrangements, retention of personnel and succession planning. The finance and investment committee oversees risks relating to our investment and capital management activities. The nominating committee oversees risks associated with the composition of the Board of Directors. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks. Please refer to "Committees of the Board of Directors."

Code of Business Conduct, Committee Charters and Corporate Governance Guidelines

We have adopted a Code of Business Conduct, which describes our ethical principles, and charters of responsibilities for our standing Board committees, including underwriting oversight, audit, compensation, executive, finance and investment and nominating committees. We have also adopted Corporate Governance Guidelines that cover issues such as executive sessions of the Board of Directors, director qualification and independence requirements, director responsibilities, access to

Table of Contents

management, evaluation and communications with the Board in order to help maintain effective corporate governance at the Company. The full text of our Code of Business Conduct, each committee charter and our Corporate Governance Guidelines is available on the Company's website located at www.archcapgroup.bm. None of the material on our website is incorporated herein by reference.

Meetings

The Board of Directors held four meetings during 2012. Each director attended 75% or more of all meetings of the Board of Directors and any committees on which the director served during fiscal year 2012. Directors are encouraged, but not required, to attend our annual general meetings of shareholders. Ten out of eleven directors attended the 2012 annual general meeting.

Communications with the Board of Directors

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

Committees of the Board of Directors

Underwriting Oversight Committee

The underwriting oversight committee of the Board of Directors assists the Board of Directors by reviewing the underwriting activities of our insurance and reinsurance subsidiaries. The underwriting oversight committee currently consists of John D. Vollaro (chairman), Yiorgos Lillikas, John M. Pasquesi and Brian S. Posner. The underwriting oversight committee held four meetings in 2012.

Audit Committee

The audit committee assists the Board of Directors in monitoring (1) the integrity of our financial statements, (2) the qualifications and independence of the independent registered public accounting firm, (3) the performance of our internal audit function and independent registered public accounting firm and (4) the compliance by the Company with legal and regulatory requirements. The audit committee currently consists of James J. Meenaghan (chairman), Yiorgos Lillikas, Brian S. Posner and Robert F. Works. Mr. Lillikas joined the audit committee in February 2013, replacing Mr. Bragin. All of such audit committee members are considered independent under the listing standards of NASDAQ governing the qualifications of the members of audit committees and the independence requirements under Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board of Directors has determined that Mr. Meenaghan qualifies as an "audit committee financial expert" under the rules of the Securities and Exchange Commission ("SEC"). The audit committee held five meetings during 2012.

Compensation Committee

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

Table of Contents

compensation committee of any entity (other than ACGL) with which any member of our Board of Directors serves as an executive officer. The compensation committee held four meetings during 2012.

Executive Committee

The executive committee of the Board of Directors may generally exercise all the powers and authority of the Board of Directors, when it is not in session, in the management of our business and affairs, unless the Board of Directors otherwise determines. The executive committee currently consists of Kewsong Lee (chairman), John L. Bunce, Jr., Constantine Iordanou and John M. Pasquesi. The executive committee did not meet during 2012.

Finance and Investment Committee

The finance and investment committee of the Board of Directors oversees the Board of Directors' responsibilities relating to the financial affairs of the Company and recommends to the Board of Directors financial policies, strategic investments and overall investment policy, including review of manager selection, benchmarks and investment performance. The finance and investment committee currently consists of John M. Pasquesi (chairman), John L. Bunce, Jr., Eric W. Doppstadt, Constantine Iordanou, Kewsong Lee, Brian S. Posner and John D. Vollaro. The finance and investment committee held four meetings during 2012.

Nominating Committee

The nominating committee of the Board of Directors is responsible for identifying individuals qualified to become directors and recommending to the Board of Directors the director nominees for consideration at each annual meeting of shareholders. The nominating committee currently consists of Kewsong Lee (chairman), Eric W. Doppstadt and John M. Pasquesi. All of such nominating committee members are considered independent under the listing standards of NASDAQ governing the qualifications of the members of nominating committees. The nominating committee held one meeting during 2012.

When the Board of Directors determines to seek a new member, whether to fill a vacancy or otherwise, the nominating committee will consider recommendations from Board members, management and others, including shareholders. In general, the committee will look for new members, including candidates recommended by shareholders, possessing superior business judgment and integrity who have distinguished themselves in their chosen fields of endeavor and who have knowledge and experience in the areas of insurance, reinsurance or other aspects of our business, operations or activities, as well as knowledge of the business environments in the jurisdictions in which we currently operate or intend to operate in the future. The Company endeavors to maintain a Board of Directors representing a diverse spectrum of expertise, background, perspective, race, gender and experience.

A shareholder who wishes to recommend a director candidate for consideration by the nominating committee should send such recommendation in writing to the Secretary, Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda and should comply with the advance notice requirements set forth in our bye-laws, as described under the caption "Shareholder Proposals for the 2014 Annual General Meeting." As described below in more detail, every submission must include a statement of the qualifications of the nominee, a consent signed by the candidate evidencing a willingness to serve as a director if elected, and a commitment by the candidate to meet personally, if requested, with the nominating committee. It is the policy of the committee to review and evaluate each candidate for nomination submitted by shareholders in accordance with the above procedures on the same basis as candidates that are suggested by our Board of Directors.

Table of Contents

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

Compensation Committee Interlocks and Insider Participation

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

From time to time, in the ordinary course of our business, we may enter into transactions, including insurance and reinsurance transactions and brokerage or other arrangements for the production of business, with entities in which companies or funds affiliated with directors of ACGL may have an ownership or other interest.

Outlined below are certain transactions we have entered into with companies or funds affiliated with Warburg Pincus & Co. Kewsong Lee has served as a member and managing director of Warburg Pincus and a partner of Warburg Pincus & Co. since January 1997:

During 2006, Arch Re (Bermuda) invested \$50 million in Aeolus LP ("Aeolus"), which operates as an unrated reinsurance platform that provides property catastrophe protection to insurers and reinsurers on both an ultimate net loss and industry loss warranty basis. Arch Re (Bermuda)'s investment in Aeolus represents an approximately 4% preferred interest in Aeolus. Arch Re (Bermuda) made its investment in Aeolus on the same economic terms as a fund affiliated with Warburg Pincus, which had invested \$350 million in Aeolus. During 2012, the Company received distributions of \$19.8 million from Aeolus. From time to time, we may receive further dividends and other distributions on our preferred interest on a proportionate basis.

In the ordinary course of its investment activities, the Company purchases municipal bonds enhanced by insurance provided by certain carriers, including National Public Finance Guarantee Corporation, a subsidiary of MBIA Inc. As of December 31, 2012, the Company held \$109.7 million of municipal bonds enhanced by insurance provided by MBIA net of prerefunded bonds that are escrowed in U.S. government obligations. Since January 2008, funds affiliated with Warburg Pincus have held more than 10% ownership interest in MBIA and also have appointed designees to serve on the Board of Directors of MBIA, including Kewsong Lee who is a director of ACGL.

Report of the Audit Committee of the Board of Directors

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

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

The audit committee has reviewed and discussed the consolidated financial statements of ACGL and its subsidiaries set forth in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Annual Report"), management's annual assessment of the effectiveness of

Table of Contents

ACGL's internal control over financial reporting and PricewaterhouseCoopers LLP's opinion on the effectiveness of internal control over financial reporting, with management of ACGL and PricewaterhouseCoopers LLP, independent registered public accounting firm for ACGL.

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

Based on the review and discussions with management of ACGL and PricewaterhouseCoopers LLP referred to above and other matters the audit committee deemed relevant and appropriate, the audit committee has recommended to the Board of Directors that ACGL publish the consolidated financial statements of ACGL and its subsidiaries for the year ended December 31, 2012 in our 2012 Annual Report.

AUDIT COMMITTEE

James J. Meenaghan (chairman)

Wolfe "Bill" H. Bragin

Brian S. Posner

Robert F. Works

15

Table of Contents

Compensation Discussion and Analysis

Introduction

In this section, we discuss the principal aspects of our compensation program as it pertains to Constantine Iordanou, chairman of the board, president and chief executive officer of ACGL; Mark D. Lyons, executive vice president, chief financial officer, chief risk officer and treasurer of ACGL; and our three other most highly-compensated executive officers in 2012, Marc Grandisson, chairman and chief executive officer of Arch Worldwide Reinsurance Group, David H. McElroy, chairman and chief executive officer of Arch Worldwide Insurance Group, and W. Preston Hutchings, president of Arch Investment Management Ltd. and senior vice president and chief investment officer of ACGL. We also address the compensation of John C.R. Hele, who served as chief financial officer of ACGL prior to his resignation. Mr. Hele was succeeded by Mr. Lyons on September 1, 2012 in accordance with our succession plan. We refer to these individuals throughout this section as the "named executive officers." Our discussion focuses on our compensation and practices relating to 2012.

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

Executive Summary

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

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

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

Pay-Mix. Consistent with our philosophy of emphasizing variable, performance-based compensation, the base salaries for 2013 for all named executive officers of the Company were not increased from 2012 levels, except that the salaries of Messrs. Lyons and McElroy were increased in connection with their promotions in 2012. Compensation for all named executive officer of the Company was weighted significantly towards performance-based compensation in the form of a cash incentive bonus payment and share-based awards. Specifically, in 2012, for our named executive officers (excluding Mr. Hele), we allocated compensation as follows: (1) base salaries ranging from approximately 9% to 21% of total compensation and (2) variable, performance-based compensation, in the form of annual cash incentive bonuses and long-term incentive share-based awards, ranging from approximately 79% to 91% of total compensation, as described below.

Table of Contents

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

In addition to the annual grants made in May 2012, we made a special off-cycle grant of 1,000,000 restricted common shares and restricted common share units, together with SARs and stock options covering 1,000,000 common shares, to key individuals throughout the organization, from senior managers and underwriters to trainees. This grant is intended to serve as an additional retention vehicle to further incentivize key executives and employees to remain with the Company, which will assist us in maintaining our business and capitalizing on opportunities in the marketplace. To reinforce the retention objective, these awards will cliff vest on the fifth anniversary of the grant.

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

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

Double Trigger Change-in-Control Arrangements. The employment agreements with our named executive officers require an involuntary or constructive termination of the executive's employment following the consummation of a change in control ("double trigger") in order for severance payments to be made. Similarly, the current annual award agreements for the named executive officers provide that invested shares and unvested options/SARs do not vest immediately upon a change in control. Rather, in the event that the employee's employment is terminated by the Company other than for cause or by the employee for good reason within two years following the consummation of a change in control, unvested shares and unvested

Table of Contents

options/SARs would immediately vest, and the options/SARs would have a remaining term of 90 days from termination. These provisions are consistent with our objective of providing employees with a level of financial protection upon loss of employment.

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

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

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

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

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

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

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

Table of Contents

ACGL and the general counsel of Arch Capital Services Inc. are subject to ratification by our Board of Directors.

Compensation Objectives and Philosophy

The objectives of our executive compensation program are to:

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

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

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

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

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

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

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

Elements of Compensation Program

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

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

Table of Contents

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

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

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

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

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

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

The Formula Approach is applied to executives included in our insurance and reinsurance groups and is reviewed in connection with compensation decisions relating to our named executive officers. Under the Formula Approach, a bonus pool is established for each of our insurance segment and our reinsurance segment based on underwriting performance during a given underwriting year. For each underwriting year, the bonus pool will be recalculated annually as actual underwriting results emerge, and any resultant payments will be made to the participants over a 10-year development period. Since much of our business requires multiple years to determine whether we have been successful in our assessment of risk, we have structured our plan in this manner so that incentive payments are made to employees as actual results become known. Under the Incentive Compensation Plan, if the Board of Directors or the Committee determines that the Formula Approach results in compensation levels that do not appropriately reflect the Company's underlying performance, then the Board of Directors or the Committee may terminate the Formula Approach or make adjustments to it that it deems appropriate.

Table of Contents

Historically, we have allocated all of the Company's capital to the operating units for purposes of calculating ROE under our Incentive Compensation Plan, which is designed to encourage our underwriters to write insurance and reinsurance business that offers the highest risk-adjusted returns. Since 2006, rates in many of our lines of business declined. In order to reinforce ACGL's commitment to maintaining underwriting discipline, which involves writing only business that is adequately priced, the Board of Directors determined that a portion of the Company's capital would not be allocated to the operating units for purposes of calculating ROE under the Incentive Compensation Plan for the 2006-2010 underwriting years.

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

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

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

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

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

Share-based awards granted to employees vest over a prescribed period, motivating executives to remain with us and sustain high corporate performance in order to increase the value of such awards. The annual grants of share-based awards outlined in the "Grants of Plan-Based Awards" table that were made in May 2012 will vest over a three-year period. The Company believes that these annual grants are consistent with the Company's objectives to retain management and to align further the interests of management and the Company's shareholders. Options and SARs awarded to employees

Table of Contents

are granted with an exercise price equal to the closing price of the shares on the date of grant and, subject to earlier termination under certain circumstances as set forth in the award agreements, will expire 10 years from the grant date.

In addition to the annual grants made in May 2012, we made a special off-cycle grant of 1,000,000 restricted common shares and restricted common share units, together with SARs and stock options covering 1,000,000 common shares, to key individuals throughout the organization, from senior managers and underwriters to trainees. This grant is intended to serve as an additional retention vehicle to further incentivize key executives and employees to remain with the Company, which will assist us in maintaining our business and capitalizing on opportunities in the marketplace. To reinforce the retention objective, these awards will cliff vest on the fifth anniversary of the grant. Options and SARs were granted with an exercise price equal to the closing price of the shares on the date of grant and, subject to earlier termination under certain circumstances as set forth in the award agreements, will expire 10 years from the grant date.

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

In addition, commencing with grants on and after September 2004, our annual share-based award agreements provide that, if an employee's employment terminates (other than for cause) after retirement age, unvested shares and unvested options would continue to vest pursuant to the normal vesting schedule so long as the employee does not engage in a competitive activity following retirement. However, the award agreements also provide that, if a retired employee does engage in a competitive activity, any unvested awards would be forfeited and the holder would have a reduced period in which to exercise vested options. These provisions are designed to help provide our retired employees with financial security so long as the Company's interests are protected. With respect to the off-cycle awards, the retirement provision provides that a retiring executive will be entitled to receive a pro-rated portion of the award (on an annual basis) at the end of the five-year vesting period so long as the executive does not engage in a competitive activity.

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

During 2012, certain members of senior management, including Messrs. Lyons and McElroy, participated in the Company's non-qualified defined contribution retirement plan, which provides

Table of Contents

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

In 2007, the Company adopted a broad based employee share purchase plan. The purpose of this plan is to provide employees with an opportunity to purchase common shares of AGL through payroll deductions, thereby encouraging employees to share in the economic growth and success of the Company. The Company also provides a broad based matching gift program pursuant to which the Company matches eligible contributions by employees to qualified charitable organizations. During 2012, the Company made an aggregate of approximately \$288,940 in matching contributions on behalf of the named executive officers.

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

Relationship Between Compensation Policies and Risk Management

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

Table of Contents

stock price appreciation over an extended period of time fundamental in realizing a compensation benefit.

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

Employment Agreements

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

Clawback Policy

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

Matters Relating to Share Ownership and Share-Based Compensation

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

Table of Contents

"Director Compensation" for a description of share retention guidelines that require our non-employee directors to maintain designated levels of ownership of common shares of ACGL.

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

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

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

It has been our practice to make annual grants of share-based compensation on the dates of regularly scheduled meetings of the full Board of Directors. Our process for establishing the grant date well in advance provides assurance that grant timing is not being manipulated for employee gain. It is our current intention to consider the determinations for annual grants on the date of the May meeting of our Board of Directors. Under our current practice, we have chosen the May meeting of our Board of Directors because we believe that more complete information will be publicly available at that time regarding the financial performance of our Selected Competitors and the related share-based awards granted by these companies for performance during the prior year, which will provide the Committee and the Board of Directors with additional useful data before making final determinations on share-based compensation. Generally, awards are granted to the named executive officers as part of the annual process, which encompassed 428 Company employees worldwide for awards granted in 2012 for 2011 performance. In addition, the special off-cycle grants in September 2012 and November 2012 were awarded to 344 Company employees worldwide. We may grant a small percentage of awards at other times throughout the year on the date of regularly scheduled meetings of the Committee or the full Board of Directors in connection with hiring or the promotion of an executive or special retention circumstances. In addition, pursuant to the delegation of authority by the Committee, the chief executive officer or, in his absence, the chief financial officer, may approve at other times grants of share-based awards to non-executive officers. In the case of a new hire, the awards have grant dates corresponding to the date the employment commences for the new hire.

Tax Considerations

Section 162(m). Section 162(m) of the Code generally limits the deductible amount of annual compensation paid to the chief executive officer and three other most highly compensated executive officers (other than the chief financial officer) to no more than \$1,000,000 each. Since ACGL will not generally be subject to United States income tax, the limitation on deductibility will not directly apply to it. However, the limitation would apply to a United States subsidiary of ACGL if it employs the

Table of Contents

chief executive officer or one of the three other most highly compensated executive officers (other than the chief financial officer). Qualified performance-based compensation will be excluded from the \$1,000,000 limitation on deductibility. Our policy is to qualify, to the extent consistent with our compensation goals and programs, our executive officers' compensation for deductibility under applicable tax laws. Consistent with this policy, our Incentive Compensation Plan includes a provision pursuant to which payments under the plan may be deferred if it is necessary in order to avoid nondeductibility of the payments under Section 162(m) of the Code. However, the Committee believes that its primary responsibility is to provide a compensation program that will attract, retain and reward the executive talent necessary to our success. Consequently, the Committee recognizes that the loss of a tax deduction could be necessary in some circumstances due to the restrictions of Section 162(m). The Committee will review tax consequences as well as other relevant considerations in connection with compensation decisions.

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

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

Table of Contents

Arrangements Constantine Iordanou" for a description of excise tax arrangements included in Mr. Iordanou's employment agreement.

Committee Review

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

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

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

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

2012 Compensation Decisions

The specific compensation decisions made for each named executive officer for 2012 reflect the performance of the Company against key financial and operational measurements. In evaluating the performance of the Company, we focus on two main benchmarks, operating return on average common equity, which measures the generation of earnings and the efficient use of capital, and growth in book value per share, which creates long-term value for shareholders. We believe that we performed reasonably well against both benchmarks in 2012 as we continue to operate in a challenging underwriting and investment environment. Operating return on average common equity was 7.7% in 2012, up from 7.2% in 2011. Book value per common share was \$36.19 at the end of 2012, a 13.9% increase from \$31.76 at the end of 2011, reflecting the combined impact of underwriting results and investment returns.

Other performance measures also indicated favorable results. After-tax operating income available to shareholders was \$350.6 million, or \$2.54 per share, in 2012, a per share increase of 16.0% from 2011. The Company's combined ratio under GAAP improved to 95.4% in 2012, compared to 98.3% in 2011. Based on a number of factors, including modest improvement in the rate environment and our ability to access new opportunities, we increased gross premiums written to \$3.87 billion in 2012, an increase of 12.6% compared to 2011, and our net premiums written to \$3.05 billion, a 14.2% increase over 2011.

Table of Contents

Our investment portfolio grew, with total investable assets reaching \$13.05 billion at December 31, 2012, a 5.9% increase from the prior year. In 2012, the portfolio generated \$294.9 million of net investment income, or \$2.13 per share, down 13.1% from 2011 on a per share basis, primarily reflecting the impact of lower prevailing interest rates. We manage the portfolio with a focus on total return, since total return contributes directly to our goal of increasing book value per share. From that perspective, we did well in 2012. Total return which consists of net investment income, net realized gains and losses, changes in unrealized gains and losses, and equity in the net income or losses of investment funds accounted for using the equity method was 5.88% in 2012 and 3.81% in 2011.

In addition, A.M. Best Company reaffirmed its A+ ("Superior") financial strength ratings of our principal insurance and reinsurance subsidiaries in January 2013 and maintained its "A+" or equivalent financial strength ratings from Standard & Poor's, Moody's and Fitch Ratings with a stable outlook in each case.

Please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2012 Annual Report for an analysis of our financial and operational performance during 2012. After-tax operating income available to common shareholders, a non-GAAP financial measure, is defined as net income available to common shareholders, excluding net realized gains or losses, net impairment losses included in earnings, equity in net income or loss of investment funds accounted for using the equity method, net foreign exchange gains or losses and loss on repurchase of preferred shares, net of income taxes. The reconciliation of such measure to net income available to common shareholders (the most directly comparable GAAP financial measure) is included in our 2012 Annual Report.

Consistent with our philosophy of emphasizing variable, performance-based compensation, the base salaries for 2013 for our named executive officers of the Company were not increased from 2012 levels, except that the salaries of Messrs. Lyons and McElroy were increased in connection with their promotions during the year.

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

In light of the Committee's assessment, and as a result of his performance, Mr. Iordanou received a bonus of \$3,750,000. Under an election program offered by the Company, Mr. Iordanou elected to receive 100% of his bonus in the form of SARs on terms provided under the election, namely, 300,187 fully vested SARs exercisable for a 10-year period. The per share exercise price is \$49.12, which was the closing price on the date of grant, and the SAR was valued in the same manner as valued for financial reporting purposes. In May 2012, Mr. Iordanou also was granted long-term incentive awards in the form of 101,000 restricted common shares and 101,000 SARs with a per share exercise price of \$38.58, each of which will vest in three equal annual installments commencing on the first anniversary of the grant date. These awards, which are reflected in the "Summary Compensation Table," were awarded following an assessment of Mr. Iordanou's performance during 2011. As noted above, the Committee expects to consider determinations for share-based compensation for 2012 performance at meetings scheduled to be held in May 2013.

In determining the performance-based compensation of our other named executive officers, the Committee evaluated overall performance of the Company and their contributions to that performance,

Table of Contents

as well as the performance of the business or function that each named executive officer leads. The Committee did not apply a formula or assign performance measures relative weights but made a subjective determination after considering these measures collectively.

With respect to Mr. Lyons, the Committee reviewed his key roles in financial reporting, enterprise risk management, regulatory matters and capital management. In addition, the Committee considered that the other aspects of the financial function for the Company, which involved, among other things, investor relations and ratings agency matters, performed well under Mr. Lyons' leadership. The Committee also took into account Mr. Lyons' performance in his prior role as chairman and chief executive officer of Arch Worldwide Insurance Group, including his overall management of our insurance operations and the group's pursuit of strategic initiatives under his guidance.

In determining the performance-based compensation of Messrs. Grandisson and McElroy, who oversee the Company's reinsurance operations and insurance operations, respectively, the Committee reviewed the profitability of the reinsurance group and the insurance group, including their respective groups' effectiveness in managing the underwriting cycle. As part of that analysis, the Committee reviewed the estimated bonus pool determined under the Formula Approach for the 2012 and prior underwriting years, which is based on various ROE targets. In reviewing these calculations, the Committee recognized that the estimated bonus pool provides only a current indication of underwriting performance as the bonus pool for the underwriting year will be recalculated annually over a 10-year development period as actual results emerge. The Committee also reviewed Mr. Grandisson's and Mr. McElroy's oversight of key operational matters for their respective groups, including those relating to overall management, including expense management, risk management and infrastructure. In addition, the Committee considered the Company's pursuit of strategic initiatives under the leadership of Mr. Grandisson and Mr. McElroy, which initiatives will provide us with opportunities to access new sources of business over the long term and further develop our existing businesses.

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

In light of these assessments, the named executive officers received the following annual incentive cash bonuses for performance during 2012: Mr. Lyons \$950,000; Mr. Grandisson \$1,750,000; Mr. McElroy \$500,000; and Mr. Hutchings \$900,000. In addition, in May 2012, these named executive officers were granted the following long-term incentive share-based awards (with the same principal terms included in Mr. Iordanou's May 2012 grants, as described above): Mr. Lyons 18,000 SARs and 18,000 restricted common share units; Mr. Grandisson 25,000 SARs and 25,000 restricted common shares; Mr. McElroy 2,400 SARs and 2,400 restricted common shares; and Mr. Hutchings 16,800 SARs and 16,800 restricted common shares. These share-based awards, which are reflected in the "Summary Compensation Table," were awarded following an assessment of the executives' performance during 2011. Mr. Hele received 18,000 SARs and 18,000 restricted common shares in May 2012, which were forfeited in August 2012 upon his departure from the Company in accordance with the terms of the award agreement. As noted above, the Committee expects to consider determinations for share-based compensation for 2012 performance at meetings scheduled to be held in May 2013.

In addition, Messrs. Lyons, Grandisson, McElroy and Hutchings were provided off-cycle grants of share-based awards, which are described above and are reflected in the "Summary Compensation Table." These grants are intended to serve as an additional retention vehicle to further incentivize these key executives to remain with the Company, which will assist us in maintaining our business and capitalizing on opportunities in the marketplace. To reinforce the retention objective, these off-cycle

Table of Contents

grants will vest on a cliff basis in five years. The grants were awarded to these named executives following an assessment of the executives' performance and after taking into account their key leadership roles in the organization. Specifically, in September 2012 and November 2012 (as applicable), these officers were granted the following long-term incentive share-based awards: Mr. Lyons 60,000 SARs and 60,000 restricted common shares; Mr. Grandisson 33,600 SARs and 33,600 restricted common shares; Mr. McElroy 25,000 SARs and 25,000 restricted common share units; and Mr. Hutchings 16,100 SARs and 16,100 restricted common shares. In order to limit the impact of the deductibility cap under Section 162(m) of the Code, the restricted common share units granted to Mr. McElroy will be settled in common shares after the termination of his employment as provided in the award agreement (see "Tax Considerations Section 162(m)"). In connection with his promotion, Mr. Lyons was also granted 15,000 SARs and 15,000 restricted shares, each of which will vest in three equal annual installments and are reflected in the "Summary Compensation Table." The terms of these awards are similar to those included in the annual award agreements, which are described under "Share-Based Award Agreements."

As indicated above, and consistent with the Committee's general compensation philosophy for senior executives, compensation for the named executive officers was weighted significantly towards performance-based compensation in the form of a cash annual incentive bonus payment and share-based awards. Specifically, in 2012, for our named executive officers (excluding Mr. Hele), we allocated compensation as follows: (1) base salaries ranging from approximately 9% to 21% of total compensation and (2) variable, performance-based compensation, in the form of annual cash incentive bonuses and long-term incentive share-based awards, ranging from approximately 79% to 91% of total compensation. For this purpose, the percentages are based on total compensation that includes the base salary and cash annual incentive bonus payments described above and the full grant date value of the share-based awards issued in 2012 as calculated in accordance with prescribed accounting rules.

Report of the Compensation Committee on the Compensation Discussion and Analysis

The Committee reviewed and discussed the "Compensation Discussion and Analysis" section included in this proxy statement with management. Based on such review and discussion, the Committee recommended to the Board of Directors that the "Compensation Discussion and Analysis" section be included in the 2012 Annual Report and this proxy statement for filing with the SEC.

COMPENSATION COMMITTEE

John L. Bunce, Jr. (chairman)

Kewsong Lee

James J. Meenaghan

Robert F. Works

30

Table of Contents**Summary Compensation Table**

The following table provides information concerning the compensation for services in all capacities earned by the named executive officers for fiscal year 2012.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Award (\$)(1)	Change in Pension Value and Non-Employee Incentive Deferred Compensation			Total (\$)
						Non-Employee Incentive Deferred Compensation (\$)	Other Compensation (\$)	Total Compensation (\$)	
Constantine Iordanou Chairman of the Board, President and Chief Executive Officer of ACGL and Class II Director of ACGL	2012	1,000,000	3,750,000(2)	3,896,580	1,001,698			752,375(3)	10,400,653
	2011	1,000,000	3,150,000(2)	3,393,504	975,874			768,034	9,287,412
	2010	1,000,000	3,500,000	3,151,260	964,673			852,525	9,468,458
Mark D. Lyons(4) Executive Vice President, Chief Financial Officer, Chief Risk Officer and Treasurer of ACGL	2012	566,667	950,000	3,701,940	977,389			296,416(5)	6,492,412
	2011	500,000	910,000	640,956	184,320			203,103	2,438,379
	2010	500,000	1,000,000	600,240	183,747			173,459	2,457,446
Marc Grandisson Chairman and Chief Executive Officer of Arch Worldwide Reinsurance Group	2012	625,000	1,750,000	2,397,540	630,659			359,240(6)	5,762,439
	2011	625,000	1,400,000	813,912	234,058			360,260	3,433,230
	2010	625,000	1,250,000	750,300	229,684			430,148	3,285,132
David H. McElroy(7) Chairman and Chief Executive Officer of Arch Worldwide Insurance Group	2012	500,000	500,000	1,095,092	292,276			874,052(8)	3,261,420
	2011	450,000	900,000	1,334,809	350,003			62,321(9)	3,097,133
	2010	450,000	800,000	412,665	126,326			105,910	1,894,901
John C.R. Hele(10) Former Executive Vice President, Chief Financial Officer, Chief Risk Officer and Treasurer of ACGL	2012	400,000		694,440	178,520			358,822(11)	1,631,782
	2011	600,000	540,000	610,434	175,543			403,184	2,329,161
	2010	600,000	600,000	570,228	174,600			502,456	2,447,284

- (1) The amounts shown in these columns represent the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 Compensation Stock Compensation, excluding the effect of forfeitures. We have computed the estimated grant date fair values of share-based compensation related to stock options using the Black-Scholes option valuation model having applied the assumptions set forth in the notes accompanying our financial statements. See note 17, "Share-Based Compensation," of the notes accompanying our consolidated financial statements included in our 2012 Annual Report.
- (2) Mr. Iordanou elected to receive 100% and 50%, respectively, of his approved bonuses for 2012 and 2011 in the form of SARs under elections provided by the Company for Bermuda-based employees. On February 28, 2013 and February 29, 2012, Mr. Iordanou was awarded 300,187 SARs and 161,636 SARs, respectively, with a value equal to \$3.75 million and \$1.575 million, respectively. The SARs are fully vested and will expire 10 years from the date of grant. No such election was made in 2010.
- (3) The amount for Mr. Iordanou includes: (a) contributions to our defined contribution plans of \$30,745 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$108,750, which, due to applicable tax laws, was made outside the plan; (b) a housing allowance in Bermuda of \$130,543; (c) incremental costs to the Company of \$125,933 resulting from the use of Company-provided aircraft for commuting to the Company's offices; (d) reimbursement for additional tax costs as provided for under his employment agreement (the "Iordanou Employment Agreement Tax Provision") of \$142,718; (e) payment of Bermuda social insurance in the amount of \$1,648; and (f) an aggregate of \$162,482 for tax gross-up payments to reimburse the executive for the payment of taxes with respect to the following: commuting

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costs, family travel and home leave policies, certain club dues and the Jordanou Employment Agreement Tax Provision. The additional tax costs and related tax gross-up component that relate to the Jordanou Employment Agreement Tax Provision are subject to adjustment up or down based upon the executive's final tax return filed for the year. The calculation of the incremental cost for Company-provided aircraft use is based on the variable operating costs to the Company for each flight, including hourly charges, fuel variable charges and applicable international fees. In addition, the total amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Jordanou: an automobile allowance, tax preparation services, club dues, and life insurance premiums.

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

Table of Contents

- (4) Effective September 1, 2012, Mr. Lyons was promoted to executive vice president, chief financial officer, chief risk officer and treasurer of ACGL. The compensation information provided in the above table is for the 2012 full year. Mr. Lyons' base salary was increased to \$700,000 from \$500,000 in connection with his promotion.
- (5) The amount for Mr. Lyons includes: (a) \$39,078 in contributions to our defined contribution plans and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$21,750, which, due to applicable tax laws, was made outside the plan; (b) a housing allowance of \$93,184; (c) \$40,013 for use of commercial aircraft for commuting to the Company's offices; (d) reimbursement for additional tax costs resulting from a change in tax laws relating to U.S. citizens working in Bermuda, which became effective as of January 1, 2006 (the "Expatriate Law Change"), of \$13,976; (e) \$85,485 for tax gross-up payments to reimburse the executive for the payment of taxes with respect to the Expatriate Law Change, housing and commuting costs; (f) payment of Bermuda social insurance in the amount of \$577; and (g) life insurance premiums.
- Many of the above listed benefits are provided to expatriates residing in Bermuda. For a description of the Company's employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."
- (6) The amount for Mr. Grandisson includes: (a) contributions to our defined contribution plans of \$20,000 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$54,375, which, due to applicable tax laws, was made outside the plan; (b) a housing allowance in Bermuda of \$195,381; (c) fees for children's schooling of \$56,265; and (d) payment of Bermuda social insurance in the amount of \$1,648. In addition, the amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Grandisson: family travel and home leave policies, an automobile allowance, tax preparation services, club dues and life insurance premiums.
- Many of the above listed benefits are provided to expatriates residing in Bermuda. For a description of these benefits and the Company's other employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."
- (7) Mr. McElroy was promoted to chairman and chief executive officer of Arch Worldwide Insurance Group on September 1, 2012. The compensation information provided in the above table is for the 2012 full year. Mr. McElroy's base salary was increased to \$600,000 from \$450,000 in connection with his promotion.
- (8) The amount for Mr. McElroy includes: (a) \$66,995 in contributions to our defined contribution plans; (b) a payment of \$687,317 under his employment agreement (see "Employment Arrangements David H. McElroy"); (c) a housing allowance of \$55,058; and (d) \$43,017 in tax gross-up payments for housing and commuting costs. In addition, the amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. McElroy: commuting costs to the Company's offices and life insurance premiums.
- For a description of the Company's employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."
- (9) The amount for Mr. Hutchings includes: (a) contributions to our defined contribution plans of \$20,000 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$29,000, which payment was made outside the plan; and (b) payment of Bermuda social insurance in the amount of \$1,648. In addition, the amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Hutchings: club dues and life insurance premiums. Mr. Hutchings' base salary is paid to him in Bermuda dollars, which are convertible into U.S. dollars at a rate of 1:1.
- For a description of the Company's employee benefits programs, please see "Compensation Discussion and Analysis Elements of Compensation Program Benefits."
- (10) Mr. Hele was executive vice president, chief financial officer, chief risk officer and treasurer of ACGL from April 1, 2009 until his resignation on August 31, 2012.
- (11) The amount for Mr. Hele includes: (a) contributions to our defined contribution plans of \$30,745 and payment of an amount equal to the pension and matching contributions set forth in the non-qualified deferred compensation plan of \$33,833, which, due to applicable tax laws, was made outside the plan; (b) a housing allowance in Bermuda of \$81,819; (c) reimbursement for additional tax costs as provided for under his employment agreement (the "Hele Employment Agreement Tax Provision") of \$77,376; (d) payment of Bermuda social insurance in the amount of \$1,071; and (e) an aggregate of \$80,411 in tax gross-up payments to reimburse the executive for the payment of taxes with respect to the following: commuting costs, family travel and home leave policies, club dues and the Hele Employment Agreement Tax Provision. The additional tax costs and related tax gross-up component that relate to the Hele Employment Agreement Tax Provision is subject to adjustment up or down based upon the executive's final tax return filed for the

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year. In addition, the total amount also includes the following other benefits, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of these benefits for Mr. Hele: use of commercial and Company-provided aircraft for commuting to the Company's offices, automobile allowance, tax preparation services, family travel and home leave policies, club dues, relocation costs, and life insurance premiums.

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

Table of Contents**Grants of Plan-Based Awards**

The following table provides information concerning grants of share-based awards made to our named executive officers in fiscal year 2012:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)(1)	All Other Option Awards: Number of Securities Underlying Option Awards (#)(1)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(2)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Constantine Iordanou	02/29/2012								161,636	37.05	1,574,997
	05/09/2012						101,000				3,896,580
	05/09/2012								101,000	38.58	1,001,698
Mark D. Lyons	05/09/2012						18,000				694,440
	05/09/2012							18,000	38.58		178,520
	09/06/2012						60,000				2,406,000
	09/06/2012							60,000	40.10		644,334
	09/06/2012						15,000				601,500
	09/06/2012							15,000	40.10		154,535
Marc Grandisson	05/09/2012						25,000				964,500
	05/09/2012							25,000	38.58		247,945
	11/12/2012						33,600				1,433,040
	11/12/2012							33,600	42.65		382,714
David H. McElroy	05/09/2012						2,400				92,592
	05/09/2012							2,400	38.58		23,803
	09/06/2012						25,000				1,002,500
	09/06/2012							25,000	40.10		268,473
W. Preston Hutchings	05/09/2012						16,800				648,144
	05/09/2012							16,800	38.58		166,619
	11/12/2012						16,100				686,665
	11/12/2012							16,100	42.65		183,384
John C.R. Hele	05/09/2012						18,000				694,440
	05/09/2012							18,000	38.58		178,520

(1)

All of the grants indicated above were awarded under the 2012 Long Term Incentive and Share Award Plan in the form of share-settled SARs and restricted share awards.

The May 2012 awards will vest over a three-year period. The SARs were granted at the closing price of the shares on the date of grant and, subject to the award agreements, will expire 10 years from the grant date. Such restricted share awards shown in the table above were granted in the form of restricted common shares, except for Mr. Lyons' award, which was granted in the form of restricted common share units of which a portion will be settled in common shares after the termination of his employment as provided in the award agreement and a portion will be distributed on the applicable future vesting dates.

The September 2012 special off-cycle grants made to Mr. Lyons and Mr. McElroy will cliff vest on the fifth anniversary of the grant date. In September 2012, Mr. Lyons was also granted 15,000 restricted shares and 15,000 SARs in connection with his promotion, which awards will vest over a three-year period. The SARs were granted at the closing price of the shares on the date of grant and, subject to the award agreements, will expire 10 years from the grant date. Such restricted share awards shown in the table above were granted in the form of restricted common shares, except for Mr. McElroy's award, which was granted in the form of restricted common share units that will be settled in common shares after the termination of his employment as provided in the award agreement.

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The November 2012 grants will cliff vest on the fifth anniversary of the grant date. The SARs were granted at the closing price of the shares on the date of grant and, subject to the award agreements, will expire 10 years from the grant date. The grants issued in September 2012 and November 2012 that will vest on a cliff basis after five years were made as part of a broader special off-cycle grant of share-based awards provided to certain key employees of the Company.

In addition, Mr. Iordanou elected to receive 50% of his approved bonus for 2011 in the form of a SAR under an election provided by the Company for Bermuda-based employees. On February 29, 2012, Mr. Iordanou was awarded 161,636 SARs. The SARs are fully vested and will expire 10 years from the date of grant. The value of this SAR is reflected in the "Summary Compensation Table" in the "Bonus" column for 2011.

(2)

The amounts shown in this column represent the grant date fair value of the underlying award computed in accordance with accounting guidance governing share-based compensation arrangements as discussed in note 17, "Share-Based Compensation", of the notes accompanying our consolidated financial statements included in our 2012 Annual Report.

Table of Contents**Outstanding Equity Awards at 2012 Fiscal Year-End**

The following table provides information concerning unexercised options and stock that has not vested for each named executive officer outstanding as of December 31, 2012.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	Equity Awards: Payout Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Constantine Iordanou	360,000(4)			13.00	09/22/2014	209,710	9,231,434		
	450,000(4)			18.76	02/23/2016				
	135,000(4)			23.71	05/11/2017				
	135,000(4)			23.10	05/09/2018				
	114,750(4)			19.29	05/06/2019				
	212,253(4)			24.67	02/25/2020				
	84,000(4)	42,000(4)		25.01	05/05/2020				
	33,355	66,710		33.91	05/06/2021				
	161,636			37.05	02/28/2022				
	101,000		38.58	05/09/2022					
Mark D. Lyons	58,000			13.00	09/22/2014	113,598	5,000,584		
	60,000			18.76	02/23/2016				
	90,000			19.88	08/02/2016				
	25,050			23.71	05/11/2017				
	25,050			23.10	05/09/2018				
	22,800			19.29	05/06/2019				
	16,002	7,998		25.01	05/05/2020				
	6,300	12,600		33.91	05/06/2021				
		18,000		38.58	05/09/2022				
	60,000		40.10	09/06/2022					
	15,000		40.10	09/06/2022					
Marc Grandisson	240,000			18.35	11/15/2015	84,599	3,724,048		
	60,000			18.76	02/23/2016				
	31,350			23.71	05/11/2017				
	30,000			23.10	05/09/2018				
	22,800			19.29	05/06/2019				
	20,001	9,999		25.01	05/05/2020				
	8,000	16,000		33.91	05/06/2021				
		25,000		38.58	05/09/2022				
		33,600		42.65	11/12/2022				
David H. McElroy	22,500			19.35	06/08/2019	34,700	1,527,494		
	9,000	4,500		25.01	05/05/2020				
	1,400	2,800		33.91	05/06/2021				
		2,400		38.58	05/09/2022				

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25,000 40.10 09/06/2022

W. Preston					
Hutchings	100,000(5)		15.11	07/01/2015	49,599 2,183,348
	18,000(5)		18.76	02/23/2016	
	15,750		23.71	05/11/2017	
	18,000		23.10	05/09/2018	
	15,300		19.29	05/06/2019	
	11,001	5,499	25.01	05/05/2020	
	5,600	11,200	33.91	05/06/2021	
		16,800	38.58	05/09/2022	
		16,100	42.65	11/12/2022	

John C.R. Hele

- (1) Each of the above stock options and SARs, as applicable, vest in three equal annual installments commencing on the first anniversary of the grant date, except for the awards granted in November 2012 and 60,000 SARs and 25,000 SARs, respectively, granted on September 6, 2012 to Messrs. Lyons and McElroy. Such awards will cliff vest on the fifth anniversary of the grant date. All of such options and SARs will expire 10 years from the date of grant (subject to the terms of the award agreements).

Table of Contents

- (2) The above restricted share or unit awards vest in three equal annual installments commencing on the first anniversary of the grant date, except for the awards granted in November 2012 and 60,000 restricted shares and 25,000 restricted shares, respectively, granted on September 6, 2012 to Messrs. Lyons and McElroy. Such awards will cliff vest on the fifth anniversary of the grant date. In addition, (i) Mr. Lyons' awards granted in May 2008 and 2009 and (ii) Mr. McElroy's award granted in September 2012 were in the form of restricted common share units and will be settled in common shares after the termination of employment as provided in the award agreements. Mr. Lyons' awards granted in May 2010, 2011 and 2012 were also granted in the form of restricted common share units, a portion of such units will be settled in common shares after the termination of his employment as provided in the award agreements and the balance will be settled in common shares on the applicable future vesting dates.
- (3) Market value of unvested shares or units on an aggregate basis are valued as of December 31, 2012 in accordance with applicable SEC rules.
- (4) As of December 31, 2012, such stock option awards had been transferred other than for value to a grantor retained annuity trust.
- (5) Each stock option award has been transferred other than for value to a company which is owned by a family trust, with Mr. Hutchings, his spouse and their children as beneficiaries.

Option Exercises and Stock Vested

The following table provides information concerning each exercise of stock options and each vesting of stock during fiscal year 2012 for the named executive officers:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(1)
Constantine Iordanou	1,200,000	35,276,400	113,605	4,441,956
Mark D. Lyons(2)	80,348	2,284,390	21,900	856,290
Marc Grandisson	96,000	2,400,331	25,598	1,000,882
David H. McElroy			13,400	518,840
W. Preston Hutchings	50,000	1,086,350	16,199	633,381
John C.R. Hele	96,001	1,868,585	46,197	1,759,805

- (1) We computed the dollar amount realized upon vesting by multiplying the number of shares by the market value of the underlying shares on the vesting date.
- (2) Includes restricted common share units that vested and will be settled in common shares after the termination of his employment as provided in the award agreement. See "Non-Qualified Deferred Compensation."

Table of Contents**Non-Qualified Deferred Compensation**

The Company maintains tax-qualified and non-qualified defined contribution plans but does not maintain any defined benefit retirement or pension plans. The following table provides information with respect to our defined contribution plans that provide for deferral of compensation on a basis that is not tax-qualified:

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Constantine Iordanou			2,131,973 359,897		17,564,293(1) 2,333,236(2)
Mark D. Lyons	457,089(3)	8,333(4) 132,561(2)	216,262 584,204	1,155,636(5)	1,312,183(1) 3,817,502(2)
Marc Grandisson					
David H. McElroy	75,000(3)	36,250(4) 1,002,500(2)	23,763 98,000		310,044(1) 1,100,500(2)
W. Preston Hutchings					
John C.R. Hele					

- (1) Includes the following amounts which we also included in the "Summary Compensation Table" for fiscal year 2012 or in prior years: Mr. Iordanou \$14,001,423; Mr. Lyons \$1,610,929; and Mr. McElroy \$111,250.
- (2) Indicates the value of restricted common share units that will be settled in common shares after the termination of employment (or December 31, 2017, if earlier, in the case of Mr. Iordanou) as provided in the applicable award agreements. In addition, in connection with Mr. Lyons' promotion to chief financial officer of ACGL, 22,028 restricted common share units previously granted to Mr. Lyons that would have been settled in common shares after his termination of employment will be distributed on the applicable future vesting dates set forth in the award agreements. The amounts indicated in the "Registrant Contributions in Last FY" column for Messrs. Lyons and McElroy are based on the closing price of ACGL's common shares on the date of grant (May 9, 2012 and September 6, 2012, respectively). Such amounts have been included in the "Summary Compensation Table" for fiscal year 2012 in the "Stock Awards" column. The amounts indicated in the "Aggregate Balance at Last FYE" column are based on the closing price of ACGL's common shares on December 31, 2012 and have been included in the "Summary Compensation Table" for fiscal year 2012 or prior years: Mr. Iordanou \$500,000; Mr. Lyons \$2,155,217; and Mr. McElroy \$1,002,500.
- (3) Amounts deferred by the named executive officers have been included in the "Summary Compensation Table" for fiscal year 2012 or prior years: Mr. Lyons in the "Bonus" column for 2011 and Mr. McElroy in the "Salary" column for 2012.
- (4) All of such contributions by the Company are also included in the "Summary Compensation Table" for fiscal year 2012 in the "All Other Compensation" column.
- (5) Due to Mr. Lyons' promotion to chief financial officer of ACGL, Mr. Lyons is no longer a covered employee under Section 162(m) of the Code. Therefore, a distribution was made to him from the non-qualified deferred compensation plan of the portion of funds that were deferred until payment of such amounts would not be nondeductible under Section 162(m).

Table of Contents

The Company maintains an Executive Supplemental Non-Qualified Savings and Retirement Plan. Under this plan, participants may defer eligible base salary in excess of the compensation limit imposed by the Code ("Excess Compensation") (for 2012, base salary in excess of \$250,000, which amount has been increased to \$255,000 for 2013) and, with respect to the eligible named executive officers, the Company provides matching contributions on these deferrals in amounts equal to 100% of the first 3% of salary contributed to the plan and 50% of the next 3% of salary contributed to the plan. The Company also makes pension-like contributions on behalf of the eligible named executive officers in an amount equal to 10% of Excess Compensation. In addition, the named executive officers may defer up to 100% of annual bonus paid each year and these bonus deferral contributions are not eligible for matching contributions by the Company. Until distribution, the contributions and any earnings are held in an irrevocable trust known as a "rabbi trust" by an independent trustee, and the trust assets remain subject to the Company's creditors. The participants may elect to have their contributions under the plan deemed to be invested among certain permissible mutual fund options. The plan provides that, as soon as practicable following retirement, death or other termination of employment, but subject to any delay required by the Code, all benefits under the plan will be distributed either in a single lump sum in cash or, if elected, in installments over a period not to exceed 10 years.

As indicated above, Section 457A of the Code generally prohibits U.S. taxpayers from deferring U.S. income tax on compensation attributable to services performed after December 31, 2008 for certain employers, including Bermuda-based employers such as ACGL and Arch Re (Bermuda). As a result, for periods on or after January 1, 2009, certain employees of ACGL and Arch Re (Bermuda), including Messrs. Iordanou, Lyons and Grandisson are no longer permitted to participate in the non-qualified defined contribution retirement plan. In addition, and as required by Section 457A, the non-qualified plan provides that compensation that has been previously deferred by these employees will be distributed on or before December 31, 2017. In lieu of pension and matching contributions previously provided to these former participants through the non-qualified plan, we have provided comparable benefits to these participants in the form of current cash payments subject to tax. Such cash payments have been included in the "Summary Compensation Table" in the "All Other Compensation" column for fiscal years 2012, 2011 and 2010.

Employment Arrangements

Set forth below is a summary of the material terms of the employment arrangements with each of the named executive officers.

Constantine Iordanou

In November 2007, ACGL and Constantine Iordanou entered into an employment agreement pursuant to which Mr. Iordanou agreed to serve as ACGL's president and chief executive officer. The current term of his employment agreement expires on November 28, 2013. The agreement provides that it will be automatically extended for successive one-year periods after the current term unless either ACGL or Mr. Iordanou gives at least 12 months notice of the intention not to renew. In December 2008, ACGL and Mr. Iordanou agreed upon certain amendments to the employment agreement intended to comply with Sections 409A and 457A of the Code.

Mr. Iordanou's employment agreement provides for an annual base salary of \$1,000,000, which is subject to review annually for increase at the discretion of the Board of Directors. Mr. Iordanou is eligible to participate in an annual bonus plan on terms established from time to time. The target rate for the annual cash bonus is 100% of his annual base salary. Mr. Iordanou is also entitled to participate in employee benefits programs such as major medical, life insurance and disability insurance; the cost of preparation of annual tax returns and associated tax planning on a basis no less favorable than such arrangements provided to similarly situated senior executives residing in Bermuda; and other fringe benefits customarily provided to similarly situated senior executives residing in

Table of Contents

Bermuda, which includes housing expense reimbursement, payroll tax reimbursements and automobile allowance. Since Mr. Iordanou relocated to Bermuda, his employment agreement also provides for the use of any private aircraft owned or leased by the Company or such other reasonably comparable air transportation for travel between Bermuda and the New York Metropolitan area. In addition, Mr. Iordanou is entitled to an amount equal to the excess, if any, of the amount of income and employment taxes payable by him to Bermuda, New York and any other governmental taxing authority over the amount that would have been payable by him had he resided in New York for the entire calendar year. The agreement also provides that, during the employment period, ACGL will use its best efforts to cause Mr. Iordanou to be elected to our Board of Directors.

The agreement provides that if Mr. Iordanou's employment is terminated by his death, his estate will receive a prorated portion of his bonus that would have been paid for the year of his death and an amount equal to two times the sum of his base salary and target annual bonus payable in a lump sum, but offset by life insurance proceeds received by his estate from coverage provided by the Company. His agreement also provides that if his employment is terminated due to his permanent disability, he will receive a prorated portion of his bonus that would have been paid for the year in which he becomes disabled, as determined by the Board of Directors, and an amount per annum equal to 40% of his base salary during the period beginning on the date of his permanent disability up to the month in which he reaches age 65, offset by any proceeds scheduled to be received from any disability insurance coverages provided by the Company, such amount to be paid in equal monthly installments, provided, that all installments otherwise scheduled to be made after the first anniversary of termination will instead be made on such first anniversary. The agreement further provides that if we terminate Mr. Iordanou's employment without cause or he resigns for good reason, he will receive a prorated portion of his bonus that would have been paid for the year of his termination and an amount equal to two times the sum of his base salary and target annual bonus payable in 18 equal installments, the first nine of which will be paid monthly over nine months and the last nine of which will be paid in a lump sum on the nine-month anniversary of termination (subject to six month deferral as required under Section 409A of the Code). Mr. Iordanou's and his spouse's major medical insurance coverage benefits pursuant to his employment agreement will continue for 18 months after the date of termination in the event that (1) his employment ends due to death or permanent disability, (2) he is terminated other than for cause or (3) he resigns for good reason (or until such time as he has major medical insurance coverage under the plan of another employer). The agreement also provides that if Mr. Iordanou's employment is terminated by us for cause or he resigns other than for good reason, he will receive his base salary through the date of termination.

Mr. Iordanou has agreed that, during the employment period and for the period of 18 months after termination of employment, he will not compete with the businesses of ACGL or any of its subsidiaries as such businesses exist as of the date of termination, within any geographical area in which ACGL or any of its subsidiaries engage in such businesses. If we terminate Mr. Iordanou's employment without cause or he terminates for good reason, the term of his non-competition period will extend only as long as he is receiving severance benefits provided for under his employment agreement under such circumstances. However, in the event of termination due to expiration of the term of the agreement or by reason of Mr. Iordanou's resignation other than for good reason, the non-competition period will continue beyond his termination date for up to 18 months only if the Company so elects and (1) pays Mr. Iordanou an amount equal to two times the sum of his annual base salary and target annual bonus (prorated for the period selected by the Company) in 18 equal installments, the first 12 of which will be paid monthly and continuing monthly thereafter through the month that includes the first anniversary of the separation from service and the last six of which will be paid on the first anniversary of the separation from service (subject to six month deferral as required under Section 409A of the Code); and (2) provides medical benefits for the selected period. Mr. Iordanou also agreed that he will not, for an 18-month period 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.

Table of Contents

In addition, in the event of a change in control, the agreement provides for a gross-up payment to reimburse Mr. Iordanou for any excise tax under Code Section 4999 as well as any additional income, excise and employment taxes resulting from such reimbursement. Code Section 4999 imposes a 20% nondeductible excise tax on the recipient of an "excess parachute payment" and Code Section 280G disallows the tax deduction to the payor of any amount of an excess parachute payment. The agreement provides that any payments contingent on a change of control will be reduced by an amount equal to the lesser of (1) the smallest amount possible such that no payment would be treated as a "parachute payment" under Section 280G of the Code and (2) \$2,500,000. Notwithstanding the foregoing provision, if, without regard to any gross-up payment and without any reduction in payments, the net amount retained by Mr. Iordanou, after subtracting from the payments otherwise to be made all taxes imposed thereon, would exceed the after-tax amount that would be retained by him with the gross-up payment and after the reduction described above, then no reduction in payments will be made and no gross-up payment will be made. The agreement also provides for indemnification of Mr. Iordanou to the fullest extent permitted by applicable law and the Company's governing instruments in connection with suits or proceedings arising by reason of the fact that he is or was a director, officer or employee of the Company. The Company has also agreed to pay reasonable legal fees incurred by Mr. Iordanou as result of any dispute or contest with the Company regarding the agreement, unless the Company substantially prevails on all material causes of action in the dispute or contest.

Mark D. Lyons

ACGL and Mr. Lyons entered into an employment agreement with a term extending through September 1, 2015. The agreement will be automatically extended for additional one-year periods, unless we or Mr. Lyons gives notice at least 180 days prior to the expiration of the original term or any extended term. The agreement provides for an annual base salary of \$700,000, and the target rate for the annual cash bonus is 100% of the annual base salary. Mr. Lyons is eligible to receive annual cash bonuses and share-based awards at the discretion of the Board and is also entitled to participate in employee benefits 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 residing in Bermuda, which includes housing expenses, payroll tax reimbursements and automobile allowance. His agreement also provides that the Company will reimburse him, on an after-tax basis, for his reasonable expenses incurred in traveling between Bermuda and the United States. In addition, Mr. Lyons is entitled to an amount equal to the excess, if any, of the amount of income and employment taxes payable by him to Bermuda, Illinois and any other governmental taxing authority over the amount that would have been payable by him had he resided in Illinois for the entire calendar year. ACGL also reimbursed him for certain relocation expenses and reasonable expenses incurred by him in establishing his residence in Bermuda. In addition, upon the termination of his employment for any reason, ACGL will reimburse him for reasonable expenses incurred by him for the cost of relocating his household items to the United States and airfare for Mr. Lyons and his family to return to the United States.

The agreement provides that if Mr. Lyons' employment is terminated without cause or for good reason, he will be entitled to receive an amount equal to: the greater of (1) 18 months of his base salary and (2) the total remaining base salary for the employment period which would have been paid to him under his employment agreement if the employment period had not been so terminated, payable over 12 months. The agreement also provides that if Mr. Lyons' employment is terminated for cause, as a result of his resignation or leaving employment other than for good reason, as a result of death or permanent disability, or by written notice of the intention not to renew the agreement by us or Mr. Lyons, he (or his estate) will be entitled to receive his base salary through the date of termination. The agreement further provides that if Mr. Lyons' employment is terminated by reason of death or permanent disability, he (or his estate) will also be entitled to receive a prorated portion of

Table of Contents

his target annual bonus (offset by any proceeds received from any insurance coverages provided by the Company), such amount would be paid to him by no later than March 15th of the calendar year following the calendar year of such termination of employment. For such purposes, the annual bonus will not be less than the average annual bonus received for the preceding three years. Mr. Lyons' 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 (a) his employment ends due to permanent disability, (b) he is terminated other than for cause or (c) he resigns for good reason.

Mr. Lyons has agreed that, during the employment period and for a period of one year after termination of employment, he will not compete with the businesses of ACGL or any of its subsidiaries as such businesses exist or are in process or being planned as of the date of termination. Mr. Lyons also agreed that he will not, for a period of one year 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.

In connection with his promotion, on September 6, 2012, Mr. Lyons was granted certain share-based awards. These awards are outlined above in the "Summary Compensation Table," and the terms of the related award agreements are described below under "Share-Based Award Agreements."

Marc Grandisson

Under an employment agreement, Marc Grandisson serves as chairman and chief executive officer of Arch Worldwide Reinsurance Group. The terms of his employment provide for a current annual base salary of \$625,000. The annual base salary is subject to review annually for increase at the discretion of the Board of Directors. The target rate for the annual cash bonus for Mr. Grandisson is 100% of his annual base salary. Mr. Grandisson is eligible to receive annual cash bonuses and share-based awards at the discretion of our Board of Directors. Mr. Grandisson is also entitled to participate in employee benefits programs such as major medical, life insurance and disability insurance and other fringe benefits customarily provided to similarly situated senior executives residing in Bermuda, which includes housing expenses, payroll tax reimbursements and automobile allowance. His agreement also provides that the Company will reimburse him, on an after-tax basis, for his reasonable expenses incurred in traveling between Bermuda and Canada. The current term of his employment agreement ends on December 31, 2013, but we or Mr. Grandisson may terminate his employment at any time. The agreement will be automatically extended for additional one-year periods, unless we or Mr. Grandisson gives notice at least 60 days prior to the expiration of the original term or any extended term.

The agreement provides that if the employment of Mr. Grandisson is terminated without cause or for good reason, he will be entitled to receive an amount equal to his annual base salary over a 12-month period. Mr. Grandisson'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 (1) his employment ends due to permanent disability, (2) he is terminated other than for cause or (3) he resigns for good reason. If Mr. Grandisson's employment is terminated for cause or if he resigns without good reason or as a result of his death or disability, he (or his estate) will receive his annual base salary to the date of such termination.

Mr. Grandisson agreed that, during the employment period and for the period of two years after termination of employment, he will not compete with the businesses of ACGL or any of its subsidiaries as such businesses exist or are in process or being planned as of the date of termination. The non-competition period will be one year following termination if we terminate his employment without

Table of Contents

cause, he terminates for good reason or he or the Company gives notice of intent not to extend his employment term in accordance with the employment agreement. Mr. Grandisson also agreed that he will not, for a period of two years following 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.

David H. McElroy

Under an employment agreement, David H. McElroy serves as chairman and chief executive officer of Arch Worldwide Insurance Group and chairman and chief executive officer of Arch Insurance Group. The terms of his employment provide for a current annual base salary of \$600,000. The annual base salary is subject to review annually for increase at the discretion of the Board of Directors. The target rate for the annual cash bonus for Mr. McElroy is 100% of his annual base salary. Mr. McElroy is eligible to receive annual cash bonuses and share-based awards at the discretion of our Board of Directors. Mr. McElroy is also entitled to participate in employee benefits programs such as major medical, life insurance and disability insurance and other fringe benefits customarily provided to similarly situated senior executives. The employment agreement also provides that Mr. McElroy will be entitled to cash payments equal to the cash payment amounts (if any) he would have received from the employer for whom he last worked prior to his employment by the Company, under the such former employer's plans for specified accident years 2000 through 2008 as and when such payments would have been determined pursuant to the former employer's plans. The current term of his employment agreement ends on July 25, 2015, but Arch Insurance Group or Mr. McElroy may terminate his employment at any time. The agreement will be automatically extended for additional one-year periods, unless Arch Insurance Group or Mr. McElroy gives written notice at least 90 days prior to the expiration of the original term or any extended term.

The agreement provides that if the employment of Mr. McElroy is terminated without cause or for good reason, he will be entitled to receive an amount equal to the sum of his annual base salary and a pro-rated portion of his target annual bonus based on the number of days elapsed in the calendar year through the date of termination, payable over a 12-month period. Mr. McElroy'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 (1) his employment ends due to permanent disability, (2) he is terminated other than for cause or (3) he resigns for good reason. If Mr. McElroy's employment is terminated for cause or if he resigns without good reason or as a result of his death or disability, he (or his estate) will receive his annual base salary to the date of such termination.

Mr. McElroy agreed that, during the employment period and for the period of two years after termination of employment, he will not compete with the businesses of ACGL or any of its subsidiaries as such businesses exist or are in process or being planned as of the date of termination. The non-competition period will be one year following termination if we terminate his employment without cause, he terminates for good reason or he or the Company gives notice of intent not to extend his employment term in accordance with the employment agreement. Mr. McElroy also agreed that he will not, for a period of two years following 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.

W. Preston Hutchings

W. Preston Hutchings serves as president of Arch Investment Management Ltd. and senior vice president and chief investment officer of ACGL. The terms of his employment provide for a current annual base salary of \$450,000. The annual base salary is subject to review annually for increase at the discretion of the Board of Directors. The target rate for the annual cash bonus for Mr. Hutchings is 100% of his annual base salary. Mr. Hutchings is eligible to receive an annual cash bonus and

Table of Contents

share-based awards at the discretion of the Board of Directors and to participate in our employee benefit programs. The Company or Mr. Hutchings may terminate his employment at any time. In the event that Mr. Hutchings' employment is terminated by ACGL not for cause or by him for good reason, ACGL will pay to him an amount equal to his annual base salary over a period of 12 months. In addition, Mr. Hutchings also agreed that he will not, for a period of one year following 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.

Share-Based Award Agreements

Our long-term incentive share award plans provide for the grant to eligible employees and directors of stock options, stock appreciation rights, restricted shares, restricted share units payable in common shares or cash, share awards in lieu of cash awards, dividend equivalents, performance shares and performance units and other share-based awards.

To date, the Company has provided grants in the form of stock options, SARs, restricted common shares and restricted common share units. Share-based awards granted to employees vest over a prescribed period, motivating executives to remain with us and sustain high corporate performance in order to increase the value of such awards. The May 2012 annual grants outlined in the "Grants of Plan-Based Awards" table will vest over a three-year period, which the Company believes is consistent with the Company's objectives to retain management and to align further the interests of management and the Company's shareholders. The special off-cycle grants awarded in September 2012 and November 2012, as outlined in the "Grants of Plan-Based Awards" table and described above, will vest on a cliff basis after five years, except for 15,000 restricted shares and 15,000 SARs granted on September 6, 2012 to Mr. Lyons, which awards will vest over a three-year period. Options and SARs awarded to executives are granted at the closing price of the shares on the date of grant and, subject to the award agreements, will expire 10 years from the grant date.

Each award agreement for the annual and off-cycle grants expressly provides for the acceleration of the vesting of the applicable award and, in the case of stock options and SARs, adjustments to the option exercise period in the event the award recipient ceases to be an employee of the Company in certain circumstances. In the event that an employee's employment terminates due to his death or permanent disability, unvested awards would immediately vest, and the employee or his/her estate may exercise the options and SARs for a period of three years. In the event that an employee's employment is terminated by the Company for cause, all unvested restricted shares would be forfeited and all unvested and vested options and SARs would be forfeited. Commencing with grants on and after September 2004, in the event that an employee's employment terminates (other than for cause) after retirement age, unvested awards would continue to vest on the schedule set forth in the applicable agreement so long as the employee does not engage in a competitive activity. If the employee does engage in a competitive activity, then any unvested awards would be forfeited and the holder would have a reduced period in which to exercise vested options and SARs. With respect to the November 2012 off-cycle awards, the retirement provision provides that a retiring executive will be entitled to receive a pro-rated portion of the award (on an annual basis) at the end of the five-year vesting period so long as the executive does not engage in a competitive activity.

Double Trigger Change-in-Control Provision

The annual and off-cycle award agreements for the named executive officers provide that, in the event that the employee's employment is terminated by the Company other than for cause or by the employee for good reason within two years following the consummation of a change in control, unvested awards would immediately vest, and the options and SARs would have a remaining term of 90 days from termination. In the event of termination for any other reason, all unvested awards would be forfeited, and the holder may exercise vested options and SARs for a period of 90 days from termination. The foregoing description is qualified in its entirety by reference to the award agreements.

Table of Contents**Termination Scenarios Potential Payments**

The following table provides information on the various payments and benefits that each named executive officer would have been entitled to receive if his last day of employment with the Company had been December 31, 2012 under the various circumstances presented. Please refer to the descriptions of our employment agreements and share-based award agreements, which outline these potential payments and benefits (see "Employment Arrangements" and "Share-Based Award Agreements").

Name	Voluntary (\$)	For Cause (\$)	Death (\$)	Disability (\$)	Without Cause or For Good Reason (as applicable) (\$)	Without Cause or For Good Reason (as applicable) following a Change in Control (\$)
Constantine Iordanou						
Cash Severance(1)			5,000,000	1,866,667	5,000,000	5,000,000
Accelerated Vesting of Share-Based Awards(2)		(4)	11,253,532	11,253,532		11,253,532
Health & Welfare(3)			36,119	36,119	36,119	36,119
Total			16,289,651	13,156,318	5,036,119	16,289,651
Mark D. Lyons						
Cash Severance(5)			936,667	936,667	1,808,333	1,808,333
Accelerated Vesting of Share-Based Awards(2)		(4)	5,671,894	5,671,894		5,671,894
Health & Welfare(3)				24,079	24,079	24,079
Total			6,608,561	6,632,640	1,832,412	7,504,306
Marc Grandisson						
Cash Severance(6)					625,000	625,000
Accelerated Vesting of Share-Based Awards(2)			4,257,873	4,257,873		4,257,873
Health & Welfare(3)				23,378	23,378	23,378
Total			4,257,873	4,281,251	648,378	4,906,251
David H. McElroy						
Cash Severance(7)					1,200,000	1,200,000
Accelerated Vesting of Share-Based Awards(2)			1,752,395	1,752,395		1,752,395
Health & Welfare(3)				19,296	19,296	19,296
Total			1,752,395	1,771,691	1,219,296	2,971,691
W. Preston Hutchings						
Cash Severance(8)					450,000	450,000
Accelerated Vesting of Share-Based Awards(2)		(4)	2,514,531	2,514,531		2,514,531
Health & Welfare						
Total			2,514,531	2,514,531	450,000	2,964,531

(1)

In the case of termination (i) due to death, (ii) by the Company without cause or (iii) by the executive for good reason, Mr. Iordanou (or his estate) will be entitled to receive a prorated target bonus based on the termination date plus two times the sum of his base salary and target annual bonus, with such amounts payable (A) in a lump sum as soon as practicable following death but offset by life insurance proceeds received by his estate from coverage provided by the Company and (B) except as otherwise required to be deferred

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for six months under Section 409A of the Code, over a nine-month period for the other cases as provided in his employment agreement. In the case of termination due to disability,

Table of Contents

Mr. Iordanou will be entitled to receive a prorated bonus based on the termination date plus 40% of his base salary for the maximum disability term under our plans (*i.e.*, through his 65th birthday), which amount will be payable over one year as provided in his employment agreement, offset by proceeds received by him from disability insurance provided by the Company.

- (2) Represents the intrinsic value (*i.e.*, the value based upon the Company's closing share price on December 31, 2012 or in the case of stock options/SARs, the excess of the closing price over the exercise price) of accelerated vesting of certain unvested share-based awards as of December 31, 2012 under the various circumstances presented. See "Employment Arrangements" and "Share-Based Award Agreements."
- (3) Represents the employer cost relating to the continuation of medical insurance coverage under the terms described in each executive's employment agreement for the various circumstances presented.
- (4) Since Messrs. Iordanou, Lyons and Hutchings are of retirement age (as defined in our plans), any unvested restricted shares/units and unvested stock options/SARs will continue to vest according to the vesting schedule and, in the case of stock options/SARs, the options/SARs will continue to have the full exercise period of 10 years from the date of grant. In the event the executives engage in a competitive activity (as defined in the award agreement) following retirement, the exercise periods for the options/SARs would be reduced. With respect to the award granted to Mr. Hutchings on November 12, 2012, which will vest on the fifth anniversary of the grant, service is required for Mr. Hutchings to retain the award. Specifically, if Mr. Hutchings retires prior to the fifth anniversary of the grant date, he would receive a pro-rated portion of the award based on the number of full years of service during the vesting period, and Mr. Hutchings would receive the vested portion at the end of the five-year vesting period.
- (5) In the case of termination by the Company due to death or disability, Mr. Lyons (or his estate) will receive a prorated bonus based on the termination date. For such purposes, the annual bonus will not be less than the average annual bonus received for the preceding three years. In the case of termination by the Company without cause or by the executive for good reason, Mr. Lyons will be entitled to receive an amount equal to the greater of (i) 18 months of base salary and (ii) the total remaining base salary payable under his agreement, except as otherwise required to be deferred for six months under Section 409A of the Code, in equal monthly installments.
- (6) In the case of termination by the Company without cause or by the executive for good reason, Mr. Grandisson will be entitled to receive 12 months of base salary payable in equal monthly installments.
- (7) In the case of termination by the Company without cause or by the executive for good reason, Mr. McElroy will be entitled to receive an amount equal to the sum of (i) his annual base salary and (ii) a pro-rated portion of his target annual bonus based on the number of days elapsed in the calendar year through the date of termination. Such amounts will be paid in 12 equal installments as provided in his employment agreement, except as otherwise required to be deferred for six months under Section 409A of the Code.
- (8) In the case of termination by the Company without cause or by the executive for good reason, Mr. Hutchings will be entitled to receive 12 months of base salary payable in equal monthly installments.

Table of Contents**Director Compensation**

The table below provides information concerning the compensation of the directors for fiscal year 2012. The Company's Board is led by our chairman, Constantine Iordanou, who is also the president and chief executive officer of the Company. Please refer to the "Summary Compensation Table" for Mr. Iordanou's compensation.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	Option Award (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non- qualified Deferred	All Other Compensation (\$)(3)	Total (\$)
					Compensation Earnings (\$)		
Wolfe "Bill" H. Bragin	122,575	75,000				11,250	208,825
John L. Bunce, Jr.	101,075	75,000					176,075
Eric W. Doppstadt	90,575	75,000					165,575
Kewsong Lee	107,075	75,000				50,000	232,075
Yiorgos Lillikas	87,575	75,000					162,575
James J. Meenaghan	146,075	75,000				46,220	267,295
John M. Pasquesi	102,075	75,000				50,000	227,075
Brian S. Posner	122,575	75,000					197,575
John D. Vollaro(4)	650,000					78,800(5)	728,800
Robert F. Works	123,575	75,000				13,750	212,325

(1) Each non-employee member of our Board of Directors is entitled to receive an annual cash retainer fee in the amount of \$75,000. Each such director may elect to receive this 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. Each non-employee director also receives a meeting fee of \$2,500 for each Board meeting attended and \$1,500 for each committee meeting attended. In addition, each non-employee director serving as chairman of the audit committee receives an annual fee of \$50,000, and other members of the audit committee receive an annual fee of \$25,000. Each non-employee director serving as a chairman of a committee other than the audit committee receives an annual fee of \$5,000. Accordingly, 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. For the 2012-2013 annual period, Mr. Lillikas received his annual retainer fee in the form of cash and Messrs. Bragin, Bunce, Doppstadt, Lee, Meenaghan, Pasquesi, Posner and Works received their annual retainers in the form of 1,944 common shares.

(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 will vest on the first anniversary of the grant date. The grant date fair value indicated in the table has been calculated in accordance with FASB ASC Topic 718 Compensation - Stock Compensation. On May 9, 2012, each director received 1,944 restricted common shares. All of such shares will vest on May 8, 2013.

The aggregate number of share awards outstanding (*i.e.*, unvested) as of December 31, 2012 for each non-employee director was 1,944 shares. Mr. Pasquesi received share-based awards in connection with his service to the Company in other capacities, including vice chairman. In addition, as of December 31, 2012, Mr. Vollaro had 224,250 outstanding stock options/SARs, which were awarded while he was chief financial officer of the Company. For additional information on

Table of Contents

ownership of the Company's securities, please refer to "Security Ownership of Certain Beneficial Owners and Management."

- (3) The amounts in the "All Other Compensation" column for Messrs. Bragin, Lee, Meenaghan, Pasquesi and Works include matching gifts made under the Company's matching gift program.
- (4) 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 of Directors for his role as senior advisor of the Company. For 2012, Mr. Vollaro received a cash bonus of \$400,000. In addition, Mr. Vollaro serves as chairman of the underwriting and oversight committee and is a member of the finance and investment committee of the Board. A description of Mr. Vollaro's employment agreement is included below.
- (5) The amount for Mr. Vollaro includes: (a) \$30,745 in contributions to our defined contribution plans; (b) \$12,497 in tax gross up payments to reimburse Mr. Vollaro for the payment of taxes for club dues; and (c) payment of Bermuda social insurance in the amount of \$1,648. In addition, 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 above arrangements, 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 of Directors or committees. Directors who are also employees of ACGL or its subsidiaries receive no cash compensation for serving as directors or as members of Board committees. The Company also provides a matching gift program pursuant to which the Company matches eligible contributions by non-employee directors to qualified charitable organizations. During 2012, the Company made an aggregate of approximately \$171,220 in matching contributions on behalf of the non-employee directors.

Employment Agreement of John D. Vollaro

ACGL and John Vollaro entered into an employment agreement with a term extending through April 1, 2014. The employment period will continue on the same terms and conditions 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 ACGL 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 ACGL's Board of Directors and is also entitled to participate in employee benefits 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, on an after-tax basis, for his reasonable expenses incurred in traveling between Bermuda and the United States. In addition, Mr. Vollaro is entitled to an amount equal to the excess, if any, of the amount of income and employment taxes payable by him to Bermuda, Connecticut and any other governmental taxing authority over the amount that would have been payable by him had he resided in Connecticut for the entire calendar year.

The agreement provides that if Mr. Vollaro's employment is terminated without cause or for good reason, 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 the later of (a) the end of the original term of the agreement and (b) 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

Table of Contents

employment is terminated for cause, as a result of his resignation or leaving employment other than for good reason, 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 (1) his employment ends due to permanent disability, (2) he is terminated other than for cause or (3) he resigns for good reason.

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 or leaving employment other than for good reason, he will not compete with the businesses of ACGL 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 or he terminates for good reason, 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.

Director Share Ownership Guidelines

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 that 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, SARs and unvested restricted shares/units do not count toward the requirement.

Table of Contents**Security Ownership of Certain Beneficial Owners and Management***Common Shares*

The following table sets forth information available to us as of March 12, 2013 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 ACGL and (3) all of the directors and executive officers of ACGL 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	(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	22,983,999	17.3%
Cascade Investment, L.L.C.(3) 2365 Carillon Point Kirkland, Washington 98033	11,511,099	8.7%
Baron Capital Group, Inc.(4) 767 Fifth Avenue New York, New York 10153	9,689,785	7.3%
Constantine Iordanou(5)	3,361,060	2.5%
Wolfe "Bill" H. Bragin(6)	18,660	*
John L. Bunce, Jr.(7)	674,445	*
Eric W. Doppstadt(8)	8,862	*
Kewsong Lee(9)	298,602	*
Yiorgos Lillikas(10)	5,961	*
James J. Meenaghan(11)	50,003	*
John M. Pasquesi(12)	1,862,478	1.4%
Brian S. Posner(13)	8,862	*
John D. Vollaro(14)	274,848	*
Robert F. Works(15)	57,490	*
Mark D. Lyons(16)	433,333	*
Marc Grandisson(17)	915,968	*
David H. McElroy(18)	73,343	*
W. Preston Hutchings(19)	343,347	*
All directors and executive officers (16 persons)(20)	8,650,263	6.3%

*

Denotes beneficial ownership of less than 1.0%

Table of Contents

- (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 12, 2013. Therefore, column (B) has been computed based on (a) 133,020,967 common shares actually outstanding as of March 12, 2013; 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 12, 2013 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 upon a Schedule 13G/A filed with the SEC on February 7, 2013 jointly by Artisan Partners Holdings LP ("Artisan Holdings"), Artisan Investment Corporation, the general partner of Artisan Holdings ("Artisan Corp"), Artisan Partners Limited Partnership ("Artisan Partners"), Artisan Investments GP LLC, the general partner of Artisan Partners ("Artisan Investments"), ZFIC, Inc, the sole stockholder of Artisan Corp ("ZFIC"), Andrew A. Ziegler, Carlene M. Ziegler and Artisan Partners Funds, Inc. ("Artisan Funds"). Andrew A. Ziegler and Carlene M. Ziegler are the principal stockholders of ZFIC. Artisan Partners is an investment advisor, and Artisan Funds is an investment company. Artisan Holdings is the sole limited partner of Artisan Partners. Artisan Investments is the general partner of Artisan Partners, and Artisan Corp is the general partner of Artisan Holdings. ZFIC is the sole stockholder of Artisan Corp. The Schedule 13G/A reported that the common shares have been acquired on behalf of discretionary clients of Artisan Partners, which holds 22,983,999 common shares, including 11,107,139 common shares on behalf of Artisan Funds. In addition, the Schedule 13G/A reported that (a) Artisan Holdings, Artisan Corp, Artisan Partners, Artisan Investments, ZFIC, Andrew A. Ziegler and Carlene M. Ziegler each has shared voting with respect to 21,057,504 common shares and shared dispositive power with respect to 22,983,999 common shares and (b) Artisan Funds has shared voting and dispositive power with respect to 11,107,139 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 upon a Schedule 13G/A filed with the SEC on February 14, 2013 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 9,326,785 common shares and shared dispositive power with respect to 9,689,785 common shares; (b) BAMCO has shared voting power with respect to 8,713,606 common shares and shared dispositive power with respect to 9,076,606 common shares; (c) BCM has shared voting power with respect to 613,179 common shares and shared dispositive power with respect to 613,179 common shares; and (d) Ronald Baron has shared voting power with respect to 9,326,785 common shares and shared dispositive power with respect to 9,689,785 common shares.
- (5) Amounts in columns (A) and (B) reflect (a) 384,825 common shares owned directly by Mr. Iordanou (including 209,710 restricted shares, which are subject to vesting); (b) 593,245 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) 276,171

Table of Contents

common shares which are held by a grantor retained annuity trust; (d) stock options and SARs with respect to 562,200 common shares that are exercisable currently or within 60 days of the date hereof; (e) stock options and SARs with respect to 1,533,003 common shares that are exercisable currently or within 60 days of the date hereof, which are held by grantor retained annuity trusts; and (f) 11,616 common shares owned by Mr. Iordanou's child. Amounts do not include (a) stock options and SARs with respect to 100,688 common shares that are not exercisable within 60 days of the date hereof and (b) 53,004 restricted common share units that will be settled in common shares after the termination of Mr. Iordanou's employment (or, if earlier, December 31, 2017) as provided in the award agreement. Mr. Iordanou disclaims beneficial ownership of all shares owned by his child.

- (6) Amounts in columns (A) and (B) reflect 18,660 common shares owned directly by Mr. Bragin (including 1,944 restricted shares, which are subject to vesting).
- (7) Amounts in columns (A) and (B) reflect 674,445 common shares owned directly by Mr. Bunce (including 1,944 restricted shares, which are subject to vesting).
- (8) Amounts in columns (A) and (B) reflect 8,862 common shares owned directly by Mr. Doppstadt (including 1,944 restricted shares, which are subject to vesting).
- (9) Amounts in columns (A) and (B) reflect 298,602 common shares owned directly by Mr. Lee (including 1,944 restricted shares, which are subject to vesting).
- (10) Amounts in columns (A) and (B) reflect 5,961 common shares owned directly by Mr. Lillikas (including 1,944 restricted shares, which are subject to vesting).
- (11) Amounts in columns (A) and (B) reflect (a) 1,944 common shares owned directly by Mr. Meenaghan (which are subject to vesting) and (b) 48,059 common shares owned by a trust for which Mr. Meenaghan and his spouse are the trustees.
- (12) Amounts in columns (A) and (B) reflect (a) 682,804 common shares owned by Otter Capital LLC, for which Mr. Pasquesi serves as the managing member; (b) 1,174,506 common shares owned directly by Mr. Pasquesi (including 1,944 restricted shares, which are subject to vesting); and (c) 5,168 common shares owned by a trust for which Mr. Pasquesi and his spouse are the trustees. The 682,804 common shares held by Otter Capital LLC are subject to a security agreement, which is not currently being utilized.
- (13) Amounts in columns (A) and (B) reflect 8,862 common shares owned directly by Mr. Posner (including 1,944 restricted shares, which are subject to vesting).
- (14) Amounts in columns (A) and (B) reflect (a) 50,598 common shares owned directly by Mr. Vollaro and (b) stock options and SARs with respect to 224,250 common shares that are exercisable currently.
- (15) Amounts in columns (A) and (B) reflect 57,490 common shares owned directly by Mr. Works (including 1,944 restricted shares, which are subject to vesting).
- (16) Amounts in columns (A) and (B) reflect (a) 101,767 common shares owned directly by Mr. Lyons (including 75,000 restricted shares, which are subject to vesting); (b) stock options and SARs with respect to 323,500 common shares that are exercisable currently or within 60 days of the date hereof; and (c) 8,066 restricted common share units, which will be settled in common shares within 60 days of the date hereof. Amounts do not include (a) stock options and SARs with respect to 93,300 common shares that are not exercisable within 60 days of the date hereof; (b) 13,962 restricted common share units that will not be settled in common shares within 60 days of the date hereof; and

Table of Contents

(c) 86,722 restricted common share units (including 16,570 restricted common share units, which are subject to vesting), which will be settled in common shares after the termination of Mr. Lyons' employment as provided in the award agreements.

(17)

Amounts in columns (A) and (B) reflect (a) 476,824 common shares owned directly by Mr. Grandisson (including 84,599 restricted shares, which are subject to vesting); (b) 660 common shares owned by his spouse; and (c) stock options and SARs with respect to 438,484 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 58,266 common shares that are not exercisable within 60 days of the date hereof.

(18)

Amounts in columns (A) and (B) reflect (a) 33,743 common shares owned directly by Mr. McElroy (including 9,700 restricted shares, which are subject to vesting); and (b) stock options and SARs with respect to 39,600 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 28,000 common shares that are not exercisable within 60 days of the date hereof; and (b) 25,000 restricted common share units, which are subject to vesting and will be settled in common shares after the termination of Mr. McElroy's employment as provided in the award agreements.

(19)

Amounts in columns (A) and (B) reflect (a) 49,599 common shares owned directly by Mr. Hutchings (including 49,599 restricted shares, which are subject to vesting); (b) 93,398 common shares held by a company which is owned by a family trust, with Mr. Hutchings, his spouse and their children as beneficiaries (the "Trust"); and (c) stock options and SARs with respect to 200,350 common shares that are exercisable currently or within 60 days of the date hereof (118,000 of such stock options have been transferred to the Trust). Amounts do not include stock options and SARs with respect to 32,900 common shares issuable upon exercise of stock options that are not exercisable within 60 days of the date hereof.

(20)

In addition to securities beneficially owned by the directors and the named executive officers reflected in the table, includes an aggregate of 263,001 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 an additional executive officer who is not a director of ACGL.

Preferred Shares

The following table sets forth information available to us as of March 12, 2013 with respect to the ownership of our non-cumulative preferred shares by (1) each director and named executive officer of ACGL and (2) all of the directors and executive officers of ACGL 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

Table of Contents

the terms of our preferred shares, please see note 16, "Shareholders Equity," of the notes accompanying our consolidated financial statements included in our 2012 Annual Report.

Name of Beneficial Owner	Preferred Shares	
	Number of Series C Preferred Shares Beneficially Owned	Rule 13d-3 Percentage Ownership
James J. Meenaghan	11,000	*
All directors and executive officers (16 persons)	11,000	*

*

Denotes beneficial ownership of less than 1.0%

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, 2012, except that one report was filed late on behalf of Mr. Hutchings reflecting a prior distribution to a family trust of 180 common shares from an investment fund.

Certain Relationships and Related Transactions

Generally, transactions with related persons are subject to the review by the Board of Directors of ACGL. The Board of Directors has adopted written procedures regarding the review of transactions involving companies affiliated with funds managed by Warburg Pincus or another company in which a non-employee director of ACGL has a material interest (each a "portfolio company"), on the one hand, and ACGL or one of its subsidiaries, on the other hand.

Under the procedures, these transactions must be reviewed and approved by the management of ACGL 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 ACGL and its subsidiaries. In addition, these transactions also require the approval of ACGL under its holding company oversight guidelines, except for the following: (1) ordinary course transactions pursuant to which any insurance subsidiary of ACGL writes a direct insurance policy for a portfolio company unless a non-U.S. subsidiary will receive \$3 million or more in annual premiums and (2) a transaction in which a U.S.-based subsidiary of ACGL (a) assumes reinsurance from, or cedes reinsurance to, a portfolio company or (b) provides direct insurance to a portfolio company pursuant to which such U.S.-based insurance subsidiary of ACGL 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 of Directors 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 partner in 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.

Table of Contents

PROPOSAL 2 ELECTION OF SUBSIDIARY DIRECTORS

Under our bye-law 75, the Boards of Directors of any of our subsidiaries that are incorporated in Bermuda, the Cayman Islands and any other subsidiary designated by our Board of Directors, must consist of persons who have been elected by our shareholders as designated company directors ("Designated Company Directors").

The persons named below have been nominated to serve as Designated Company Directors of our non-U.S. subsidiaries indicated below. Unless authority to vote for a nominee is withheld, the enclosed proxy will be voted for the nominee, except that the persons designated as proxies reserve discretion to cast their votes for other persons in the unanticipated event that the nominee is unable or declines to serve.

Arch Capital Holdings Ltd.

Graham B.R. Collis
Mark D. Lyons

Arch Syndicate Investments Ltd

Budhi Singh
James R. Weatherstone

Arch Investment Holdings I Ltd.
Arch Investment Holdings II Ltd.
Arch Investment Holdings III Ltd.

Arch Investment Holdings IV Ltd.

W. Preston Hutchings
Mark D. Lyons
David J. Mulholland

Arch Risk Transfer Services Ltd.
Alternative Re Holdings Limited
Alternative Re Limited

Alternative Underwriting Services, Ltd.

Graham B.R. Collis
Mark D. Lyons

Arch Reinsurance Ltd.

Marc Grandisson
Jerome Halgan
Nicolas Papadopoulos
Maamoun Rajeh

Arch Investment Management Ltd.

W. Preston Hutchings
Constantine Iordanou
Mark D. Lyons

Arch Mortgage Insurance Limited

Anthony Asquith
Michael Constantinides
Marc Grandisson
Mark Nolan
Nicolas Papadopoulos
Maamoun Rajeh
John F. Rathgeber
Andrew Rippert

Arch Reinsurance Europe Underwriting Limited

William J. Cooney
Marc Grandisson
Michael A. Greene
Nicolas Papadopoulos
Maamoun Rajeh
Søren Scheuer
Helmut Söhler

Alwyn Insurance Company Limited

Paul Cole
Michael Feetham
Marc Grandisson
Nicolas Papadopoulos
Elisabeth Quinn
Maamoun Rajeh

Arch Europe Insurance Services Ltd

Elizabeth Fullerton-Rome
David W. Hipkin
Budhi Singh
Angus Watson
James R. Weatherstone

Table of Contents

Arch Financial Holdings Europe I Limited

Arch Financial Holdings Europe II Limited

Marc Grandisson
Nicolas Papadopoulos
Maamoun Rajeh
Helmut Söhler

Arch Financial Holdings B.V.

Wolbert H. Kamphuijs
Søren Scheuer
Helmut Söhler
Iwan van Munster

Arch Underwriting at Lloyd's Ltd

Dennis R. Brand
Nick Denniston
Elizabeth Fullerton-Rome
David W. Hipkin
Michael H. Kier
David H. McElroy
Michael R. Murphy
Marita Oliver
James R. Weatherstone

**Arch Underwriting Managers at Lloyd's
(South Africa) (Proprietary) Limited**

Dennis R. Brand
Nick Denniston
Stephen Fogarty
Elizabeth Fullerton-Rome
David W. Hipkin
Michael H. Kier
David H. McElroy
Michael R. Murphy
Marita Oliver
James R. Weatherstone

Arch Underwriting at Lloyd's (Australia) Pty Ltd

Dennis R. Brand
Nick Denniston
Elizabeth Fullerton-Rome
David W. Hipkin
Michael H. Kier
Adam Matteson
David H. McElroy
Michael R. Murphy
Marita Oliver
James R. Weatherstone

Arch Insurance Company (Europe) Limited

Dennis R. Brand
Nick Denniston
David W. Hipkin
Michael H. Kier
David H. McElroy
Michael R. Murphy
Marita Oliver
Budhi Singh
James R. Weatherstone

Arch Insurance Canada Ltd.

Dennis R. Brand
Robert McDowell
David H. McElroy
Michael R. Murphy
Martin J. Nilsen
Arthur Scace
Gerald Wolfe

Arch Risk Partners Ltd.

Marc Grandisson
Lin Li-Williams
Helmut Söhler

**Other Non-U.S. Subsidiaries, as Required
or Designated Under Bye-Law 75 (except
as otherwise indicated in this Proposal 2)**

Marc Grandisson
Nicolas Papadopoulos
Maamoun Rajeh

Insurance Technology Services Inc.

Edgardo Balois
Peter Calleo
Rommel Mercado
Carla Santamaria-Seña
Scott Schenker

Mr. Asquith, 60, has served as a director of Arch Mortgage Insurance Limited ("Arch Mortgage") since March 2012. He began his career with the British Army, retiring in 1981 with the rank of Captain. From 1981 to 2010, Mr. Asquith served in senior management roles at two reinsurance broking companies, E.W. Payne and Guy Carpenter, including the roles of managing director and global

Table of Contents

client development manager for Guy Carpenter & Co. Ltd. Mr. Asquith is a graduate of the Royal Military Academy Sandhurst, England, and the University College of Wales in Wales.

Mr. Balois, 63, is general partner of Siguion Reyna, Montecillo & Ongsiako Law Offices in the Philippines where he has practiced corporate law since 1976. He sits on the boards of several Philippine companies and serves as corporate secretary for some of them. He is also a resident agent of certain foreign companies having branches in the Philippines. He obtained his Bachelor of Laws degree in 1975 from the University of the Philippines.

Mr. Brand, 62, joined Arch Insurance Group in 2004 as senior vice president and chief reinsurance officer. He currently serves as senior executive vice president and chief administration officer at Arch Insurance Group where he oversees reinsurance, finance, information technology, actuarial, corporate underwriting, human resources, legal and premium audit departments. Prior to joining Arch, Mr. Brand has 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 25 years of reinsurance and executive management experience through positions held at Kemper and Reliance. Mr. Brand holds a B.A. in business from West Virginia University; he has also served in the United States Navy.

Mr. Calleo, 39, has been vice president, counsel and assistant secretary of Arch Insurance Group since March 2010. From June 2007 until March 2010, Mr. Calleo served as vice president and counsel for Arch Insurance Group, and from June 2003 until June 2007, he served as assistant vice president and counsel for Arch Insurance Group. Prior to that time, Mr. Calleo practiced corporate and securities law at the New York law firm of Weil, Gotshal & Manges LLP. He holds a B.A. degree (cum laude) from Villanova University and a law degree (with distinction) from Hofstra Law School, where he also served as a research editor for the Hofstra Law Review.

Mr. Cole, 40, has served as a director of Alwyn Insurance Company Limited ("Alwyn Insurance") since July 2011. He is currently a director of Quest Insurance Management (Gibraltar) Limited ("Quest"), a company that specialises in providing management services to insurance company clients, which he joined in 2007. Prior to joining Quest, he held senior roles for several years within the investment banking division of HSBC Bank plc. He is also an associate member of the Chartered Institute of Management Accountants (ACMA) and is a member of the Chartered Institute of Insurers.

Mr. Collis, 52, has practiced law at Conyers Dill & Pearman Limited in Bermuda since 1992, where he has been a partner since 1995. Mr. Collis obtained a Bachelor of Commerce Degree from the University of Toronto and received his Law Degree from Oxford University in 1985.

Mr. Constantinides, 64, has served as a director of Arch Mortgage since October 2012. From 1974 to 2011, Mr. Constantinides held several positions with the government of Cyprus. From 2000 to 2004, he served as Director General (Permanent Secretary) Ministry of Agriculture, Natural Resources and the Environment of Cyprus, and from 2004 to 2011, he served as Director General (Permanent Secretary), Ministry of Communication and Works of Cyprus. Mr. Constantinides currently serves as the Chairman of the Flight Safety Foundation of South East Europe, Middle East and Cyprus. He is graduate of Queen Mary College, University of London with a degree in mechanical engineering and holds an M.Sc. from the University of Minnesota.

Mr. Cooney, 63, has extensive reinsurance broking experience spanning over 30 years in Ireland and the U.K. From 1978 to 2006, he served in various management positions, including managing director, at the Coyle Hamilton International Group Ltd in Dublin (currently part of Willis). During that time, he had executive responsibilities and managed the overall structure, growth and development of the reinsurance division. He also serves on the boards of several Irish companies.

Mr. Denniston, 58, is currently an independent consultant and a managing director with FTI Consulting in the United Kingdom with over 30 years experience in the financial services sector.

Table of Contents

Between 2004 and 2009, he was group finance director and a board member of Argo Underwriting Agency plc (formerly Heritage Underwriting Agency plc). Prior to that, he was a managing director of Securitas Capital, a Swiss Re private equity fund from 2000 to 2003. From 1995 to 1999, he was a finance director of CDC Capital Partners, a U.K. government-owned investment business. From 1982 to 1995, he worked at SG Warburg in various finance positions, including executive director, working on mergers acquisitions and equity issues. Mr. Denniston qualified as a chartered accountant with Arthur Young in London in 1981.

Mr. Feetham, 68, joined the board of directors of Alwyn in December 2011. Mr. Feetham served as a Member of the Gibraltar Parliament from 1984 to 1996 and Minister for Trade and Industry with responsibility for Gibraltar's Economic Development, Trade, Port and the Finance Centre from 1988 to 1996. During this time, his responsibilities included the introduction of key financial services legislation in Gibraltar. Since 1996, Mr. Feetham has served as a director for several companies in Gibraltar and a consultant. He also established a business development company based in Lima, Peru in 2011.

Mr. Fogarty, 49, joined Arch Underwriting Managers at Lloyd's (South Africa) (Proprietary) Limited in 2010 as regional director, South Africa. He started his career in 1984 in Zimbabwe as a broker with CT Bowring and subsequently Sedgwick James. In 1992, Mr. Fogarty joined Willis Faber in Bahrain, then returned to Zimbabwe in 1998 as commercial lines manager for the local AIG operations. From 2002 to 2010, Mr. Fogarty worked in the AIG South African operation where his most recent position was regional property and terrorism manager for Africa. He holds a B.A. degree from the University of Natal, South Africa. He is an associate of the Insurance Institute of South Africa and is a Chartered Insurance Practitioner through the Chartered Insurance Institute of the U.K.

Mrs. Fullerton-Rome, 41, joined Arch Insurance Europe in January 2006 and serves as senior vice president, legal, regulatory and compliance officer. She also serves as compliance officer for Arch Insurance Europe's Lloyd's operations and Syndicate 2012. She previously was a senior manager at KPMG, where she worked in the financial services division specializing in Lloyd's, London Market insurance and general insurance from 1998 to 2005. She has a BA, MA (Oxon) from Oxford University, and she is a qualified chartered accountant.

Mr. Grandisson, 45, has served as chairman and chief executive officer of Arch Worldwide Reinsurance Group, an executive position of ACGI, since November 2005, and he also serves as a member of the Company's Executive Strategy Committee. Prior to November 2005, he served as president and chief executive officer of Arch Re (Bermuda) from February 2005. He served as president and chief operating officer of Arch Re (Bermuda) from April 2004 to February 2005 and as senior vice president, chief underwriting officer and chief actuary of Arch Re (Bermuda) from October 2001. From March 1999 until October 2001, Mr. Grandisson was employed as vice president and actuary of the reinsurance division of Berkshire Hathaway. From July 1996 until February 1999, Mr. Grandisson was employed as vice president-director of F&G Re Inc. From July 1994 until July 1996, Mr. Grandisson was employed as an actuary for F&G Re. Prior to that, Mr. Grandisson was employed as an actuarial assistant of Tillinghast-Towers Perrin (now Towers Watson). Mr. Grandisson holds an M.B.A. degree from The Wharton School of the University of Pennsylvania. He is also a Fellow of the Casualty Actuarial Society.

Mr. Greene, 59, is a legal and business consultant and serves on the board of several Irish and U.S. corporations. From 1983 to May 2008, he was a partner at A&L Goodbody, a leading Irish law firm. He ran the firm's New York office for three years, was head of the corporate department for four years and served as Chairman of the firm for three years until June 2005. He also works *pro bono* with the International Bar Association, where he is an officer in the leadership of that organization.

Mr. Halgan, 39, has served as chief underwriting officer of Arch Re (Bermuda) since July 2012. He joined Arch Re (Bermuda) in 2009 as head of specialty and casualty. His prior reinsurance experience includes the Berkshire Hathaway Reinsurance Group where he served as vice president from 2004 to

Table of Contents

2009 and assistant vice president from 2001 to 2003. Prior to 2001, Mr. Halgan held underwriting positions at Sorema N.A. Reinsurance Group, a U.S. subsidiary of Groupama, in New York. Mr. Halgan graduated from École Supérieure d'Électricité in France with a masters degree in engineering, and he also holds an MBA from the Stern School of Business of New York University.

Mr. Hipkin, 54, joined Arch Insurance Europe in 2005 to develop and manage the marine and energy liability line of business. In July 2008, Mr. Hipkin was appointed chief underwriting officer of Arch Insurance Europe. He has 30 years experience in the insurance industry, and during that time, he worked both as a broker and an underwriter. Immediately prior to joining Arch Insurance Europe, Mr. Hipkin was an executive director of Atrium Underwriters Ltd, the Lloyd's managing agency responsible for the operations of Syndicates 609 and 570. Mr. Hipkin was a member of Lloyd's from 1983 to 1986.

Mr. Hutchings, 56, has served as president of Arch Investment Management Ltd. ("Arch Investment") since April 2006 and senior vice president and chief investment officer of ACGL since July 2005. Prior to joining ACGL, Mr. Hutchings was at RenaissanceRe Holdings Ltd. from 1998 to 2005, serving as senior vice president and chief investment officer. Previously, he was senior vice president and chief investment officer of Mid Ocean Reinsurance Company Ltd. from January 1995 until its acquisition by XL Group plc in 1998. Mr. Hutchings began his career as a fixed income trader at J.P. Morgan & Co., working for the firm in New York, London and Tokyo. He graduated in 1978 with a B.A. from Hamilton College and received in 1981 an M.A. in Jurisprudence from Oxford University, where he studied as a Rhodes Scholar.

Mr. Iordanou, 63, has been chairman of the board of ACGL since November 6, 2009 and president and chief executive officer of ACGL since August 2003. He has been a director since January 1, 2002. From January 2002 to July 2003, Mr. Iordanou was chief executive officer of Arch Capital Group (U.S.) Inc. From March 1992 through December 2001, Mr. Iordanou served in various capacities for Zurich Financial Services and its affiliates, including as senior executive vice president of group operations and business development of Zurich Financial Services, president of Zurich-American Specialties Division, chief operating officer and chief executive officer of Zurich-American and chief executive officer of Zurich North America. Prior to joining Zurich, he served as president of the commercial casualty division of the Berkshire Hathaway Group and served as senior vice president with the American Home Insurance Company, a member of the American International Group. Since 2001, Mr. Iordanou has served as a director of Verisk Analytics, Inc. (formerly known as ISO Inc.). He holds an aerospace engineering degree from New York University.

Mr. Kamphuijs, 52, is currently a director corporate services and has held various senior positions at TMF Netherlands B.V. (formerly Equity Trust) in the Netherlands since 2000. Prior to joining Equity Trust, he was at Fortis Intertrust in Amsterdam in management and senior roles. He is a graduate of the Alberdingk Thijm College and holds an LL.M. degree from the University of Utrecht in the Netherlands.

Mr. Kier, 66, is currently an independent consultant with over 40 years of experience in the insurance and reinsurance markets. He was a consultant to the Heath Lambert Group in the U.K., having served prior to that time as chairman of the Lloyd's broker, Heath Lambert Ltd. He has extensive management and broking experience, having been chairman of CE Heath Plc and chief executive officer of Fielding & Partners in the U.K. He is currently a producer/broker consultant to Aon.

Mrs. Li-Williams, 42, joined Arch Insurance Europe in February 2011 as managing director commercial development and was appointed chief executive officer of Arch Risk Partners Ltd. in July 2011. From September 2008 to December 2010, she served as business development director and capital markets leader at Genworth Financial Europe. Prior to Genworth, she was a director at Wachovia Securities International responsible for setting up the European platform of a product line.

Table of Contents

Prior to that time, she held various senior positions with a number of financial institutions, including head of business development and transactions at Radian international mortgage group, a senior research analyst at Dresdner Kleinwort Wasserstein and a lead credit analyst at Moody's Investors Service. She served as a member of the board of governors of CMSA-Europe (now CRE Finance Council) from 2005 to 2007. Mrs. Li-Williams holds an MSc degree from Massachusetts Institute of Technology and an MA degree from Beijing Foreign Studies University.

Mr. Lyons, 56, has served as executive vice president, chief financial officer, chief risk officer and treasurer of ACGL since September 2012, and he also serves as a member of the Company's Executive Strategy Committee. Prior to that, he served as chairman and chief executive officer of Arch Worldwide Insurance Group, an executive position of ACGL, and chairman and chief executive officer of Arch Insurance Group Inc. ("Arch Insurance Group") since July 2008. Prior thereto, he served as president and chief operating officer of Arch Insurance Group from June 2006. Prior to June 2006, he served as executive vice president of group operations and chief actuary of Arch Insurance Group from August 2003. From August 2002 to 2003, he was senior vice president of group operations and chief actuary of Arch Insurance Group. From 2001 until August 2002, Mr. Lyons worked as an independent consultant. From 1992 to 2001, Mr. Lyons was executive vice president of product services at Zurich U.S. From 1987 until 1992, he was a vice president and actuary at Berkshire Hathaway Insurance Group. Mr. Lyons holds a B.S. degree from Elizabethtown College. He is also an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries. Mr. Lyons is a trustee of Elizabethtown College and on the Board of Visitors for the Wake Forest University School of Business.

Mr. Matteson, 41, joined Arch Underwriting at Lloyd's (Australia) Pty Ltd, Regional Director, Australasia, in 2009. He started his insurance career as an underwriter in Australia, working for two insurance companies from 1988 through 1998 which are currently part of Allianz and Zurich Financial Services, respectively. In 1998, Mr. Matteson worked as a reinsurance underwriter with Sydney Re (now part of QBE Group), then with Munich Re Australia where he had national responsibility for their property product. He is member of the Branch Executive Committee of the Australian and New Zealand Institute of Insurance and Finance. He is also a member of the Insurance Council of Australia's Property Working Committee and the Strategic Risk Committee.

Mr. McDowell, 66, has served as a director of Arch Insurance Canada Ltd. ("Arch Insurance Canada") since July 2012. Mr. McDowell is a partner of Fasken Martineau DuMoulin LLP, a law firm in Canada, and has been with the firm since 1970. He is chair of the firm's financial institutions group. He specializes in transactional, financing, corporate, governance and regulatory work for insurance companies and deposit-taking institutions. He is a graduate of Osgoode Hall Law School.

Mr. McElroy, 54, has served as chairman and chief executive officer of Arch Worldwide Insurance Group, an executive position of ACGL, since September 2012, and he also serves as a member of the Company's Executive Strategy Committee. He joined Arch Insurance Group in 2009 as the president of the financial and professional liability group, which is comprised of the executive assurance, professional liability, surety and healthcare lines. Prior to joining Arch Insurance Group, Mr. McElroy was a senior vice president at The Hartford Financial Services Corporation. He joined Hartford in 2000 from the acquisition of the directors and officers and errors and omissions business of Reliance National. He started his career at Chubb. Mr. McElroy is a graduate of Temple University with a B.A. degree in business administration.

Mr. Mercado, 42, is a partner at Siguion Reyna Montecillo & Ongsiako Law Offices, which he joined in 1996. He also teaches law at the Ateneo de Manila University School of Law in the Philippines. He is a graduate of Columbia University School of Law in New York and the Ateneo de Manila University in the Philippines.

Mr. Mulholland, 46, has served as senior vice president and chief administrative officer of Arch Investment Management Ltd. since November 2011. Prior to November 2011, he served as vice

Table of Contents

president at Arch Investment, which he joined in January 2006. Prior to that time, he spent 11 years at STW Fixed Income Management where he held the title of principal and portfolio manager. From 1990 to 1994, he worked as a money market and foreign exchange trader in the treasury department of the Bank of Butterfield in Bermuda. Mr. Mulholland holds a B.S. degree with a concentration in finance from Boston University.

Mr. Murphy, 59, currently serves as chief underwriting officer of Arch Worldwide Insurance Group, an executive position of ACGL, and president of Arch Insurance Group, and he also serves as a member of the Company's Executive Strategy Committee. Mr. Murphy joined Arch Insurance Group in 2002 as an executive vice president, serving in that position until 2008 when he was promoted to senior executive vice president. In 2009, he became the president of the property & casualty segment, and assumed his current position in September 2012. From 1994 to 2002, he held several senior underwriting positions at Zurich Specialties, a division of Zurich Financial Services. Prior to entering the insurance industry, he was a lawyer in private practice. Mr. Murphy has a B.A. from Colorado College, a J.D. from The University of Colorado and an M.M. from the Kellogg School of Management of Northwestern University.

Mr. Nilsen, 63, is currently counsel at the law firm of Edwards Wildman Palmer LLP in New York. Mr. Nilsen joined Arch Insurance Group in 2002, serving as senior vice president and general counsel until March 2012 when he assumed the position of senior advisor to Arch Insurance Group. He also served as the group compliance officer until March 2012. Prior to joining Arch Insurance Group, Mr. Nilsen practiced law with the firm of Edwards Wildman Palmer LLP from December 1999 to November 2002, as counsel and as partner-in-charge of the New York office. From April 1995 to December 1999, Mr. Nilsen was a partner in the firm of Wilson, Elser, Moskowitz, Edelman & Dicker LLP, in the firm's New York office. Mr. Nilsen was also a partner in the New York firm of Bigham Englar Jones & Houston from January 1994 until April 1995, and practiced law with the firm of LeBoeuf, Lamb, Greene & MacRae LLP from June 1984 until December 1993. From November 1981 until May 1984, Mr. Nilsen was associated with the firm of Trubin Sillcocks Edelman & Knapp in New York. From August 1978 to November 1981, he was a member of the Continental Insurance Companies' law department in New York, where he was counsel, and from October 1975 to August 1978, he was an attorney with Lawyers Title Insurance Corporation. Mr. Nilsen holds B.A. and J.D. degrees from St. John's University.

Mr. Nolan, 46, joined Arch Reinsurance Europe Underwriting Limited ("Arch Re Europe") in November 2008 as finance director. He has served as a director for Arch Mortgage since December 2011. Prior to joining Arch Re Europe, he served as chief financial officer for the European operations of Quanta Capital Group and managing director of Quanta Europe Limited during 2003 to 2008. From 2001 to 2003, Mr. Nolan was general manager and director of Chubb Financial Products (Ireland) Limited. Mr. Nolan has held other finance and operations positions with insurance companies and financial institutions and commenced his career as a chartered accountant. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Ms. Oliver, 58, joined Arch Insurance as head of Corporate Underwriting Services for Arch Insurance in September 2008. Prior to her tenure at Arch, she held underwriting management positions in Large Accounts Casualty and Construction Casualty at XL Insurance, Kemper Insurance, and Reliance National Insurance. From 1976 to 1991, she held various underwriting positions in Casualty and Property underwriting for Aetna Casualty including management of the New York City National Accounts office. She has a B.A. from Tulane University and is a Chartered Property Casualty Underwriter.

Mr. Papadopoulos, 50, has served as president and chief executive officer of Arch Re (Bermuda) since November 2005, and he also serves as a member of the Company's Executive Strategy Committee. Prior to November 2005, he served as chief underwriting officer of Arch Re (Bermuda)

Table of Contents

from October 2004. He joined Arch Re (Bermuda) in December 2001 as a senior property underwriter. Prior to that time, he held various positions at Sorema N.A. Reinsurance Group, a U.S. subsidiary of Groupama from 1990, including executive vice president and chief underwriting officer since 1997. Prior to 1990, Mr. Papadopoulos was an insurance examiner with the Ministry of Finance, Insurance Department, in France. Mr. Papadopoulos 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.

Mrs. Quinn, 49, has served as a director of Alwyn Insurance since July 2011. Since 2004, she has been a director of Quest Insurance Management (Gibraltar) Limited, a company that specializes in providing management services to insurance company clients. In her role, she is responsible for the finance and accounting function and sits on a number of insurance company boards and committees. Prior to setting up Quest, Mrs. Quinn worked for Touche Ross (now Deloitte LLP) in London from 1986 to 1990 and as an audit manager for a small firm of accountants from 1990 to 1995. She is a graduate of Southampton University and a qualified chartered accountant.

Mr. Rajeh, 42, has served as the president and chief executive officer of Arch Re Europe since July 2012. Prior to that, he served as the chief underwriting officer of Arch Re (Bermuda) from November 2005. He joined Arch Re (Bermuda) in 2001 as an underwriter. 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.

Mr. Rathgeber, 58, has been vice chairman of Arch Worldwide Reinsurance Group, an executive position of ACGL, and chairman of Arch Re U.S. since November 2009. From March 2009 to November 2009, he was chairman and chief executive officer of Arch Re U.S. Prior thereto, he was president and chief executive officer of Arch Re U.S. from April 2004 to February 2009 and managing director and chief operating officer of Arch Re U.S. from December 2001 to March 2004. From 1998 until 2001, Mr. Rathgeber was executive vice president of the financial solutions business unit of St. Paul Re. From November 1992 until 1996, Mr. Rathgeber was employed as a vice president in the non-traditional underwriting department at F&G Re, and from 1996 until 1998, Mr. Rathgeber served as a senior vice president of non-traditional reinsurance. Prior to joining F&G Re, Mr. Rathgeber was employed by Prudential Re from 1980 until 1992. During that time, he held various underwriting positions, and from 1988 until 1992, Mr. Rathgeber was a director in the actuarial department. Mr. Rathgeber holds a B.A. from Williams College. He is also a chartered property and casualty underwriter, a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

Mr. Rippert, 51, has served as president and chief executive officer of Arch Mortgage Insurance since December 2011. Prior to December 2011, he served as senior executive of mortgage insurance at Arch Re (Bermuda). He joined Arch Insurance Europe 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 graduated from Drexel University with B.S. degrees in physics and mathematics and with an MBA 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.

Table of Contents

Ms. Santamaria-Seña, 42, is currently a partner at the law firm of Siguion Reyna, Montecillo & Ongsiako in the Philippines. She joined her current law firm in 1997. Prior to that time, she practiced law at the firm of Sycip, Salazar, Hernandez & Gatmaitan. Ms. Seña also teaches civil law at the University of Santo Tomas Faculty of Civil Law where she graduated in 1995.

Mr. Scace, 74, has served as a director of Arch Insurance Canada since July 2012. Mr. Scace joined the Canadian law firm, McCarthy Tétrault, in 1967, serving as a partner from 1972 to 2003, as well as managing partner of the firm from 1988 to 1998 and chairman from 1990 to 1992 and 1996 to 1998. Mr. Scace currently serves as a director of several other Canadian companies and charitable foundations. He holds a B.A. from the University of Toronto, an M.A. from Harvard University, a B.A. from Oxford University and a L.L.B. from Osgoode Hall Law School.

Mr. Schenker, 47, joined Arch Insurance Group in February 2012 as senior vice president and chief information officer. Prior to joining Arch Insurance Group, Mr. Schenker provided consulting services to the insurance industry as a partner and senior managing director with SMART Business Advisory and Consulting LLC from November 2001 to March 2011. Mr. Schenker was leading the insurance practice when the firm was acquired by Grant Thornton LLP, where he served as a partner in the business advisory services group from March 2011 to February 2012. Mr. Schenker has also held senior positions focusing on information systems technology since 1993, and he began his career in 1987 as a member of technical staff of AT&T Bell Laboratories. He holds B.S. and M.E. degrees in electrical engineering from Rensselaer Polytechnic Institute.

Mr. Scheuer, 49, has served as general manager of Arch Re Accident & Health ApS ("Arch Re Denmark") in Denmark since September 2010. Prior to that time, he served as chief executive officer of Arch Re Europe in Dublin from June 2008 and as general manager of Arch Re Denmark from May 2007 to June 2008. Before joining Arch Re Denmark, he served as general manager of Danish Re from October 2000 to May 2007 and was responsible for accident & health business worldwide. Prior to that time, he held various positions at the International Division of ReliaStar Reinsurance Group (now ING ReliaStar) from 1991, including managing director of the Danish Branch since 1997. Prior to 1991, Mr. Scheuer worked as an actuarial assistant at the largest Danish life and pension company, Statsanstalten for Livsforsikring. Mr. Scheuer graduated from the University of Copenhagen in Denmark with a masters degree in actuarial science. He is also a member of the International Actuarial Association and a Fellow at the Danish Actuarial Society.

Mr. Singh, 51, joined Arch Insurance Europe in October 2005 as actuary and chief risk officer. He has more than 20 years experience in the insurance industry. Prior to joining Arch Insurance Europe and for the period from April 2004 to September 2005, Mr. Singh was director of risk and capital planning with ACE European Group Ltd. Mr. Singh joined ACE European Group Ltd in May 2001 as the chief actuary. For the period August 1998 to May 2001, Mr. Singh was head of customer risk management and GI Actuary for Lloyds TSB Bank. Mr. Singh is a Fellow of the Institute of Actuaries and holds a BSc from Southampton University.

Mr. Söhler, 54, has served as vice chairman of Arch Worldwide Reinsurance Group since July 2012. Prior to serving in that role, he was president and chief executive officer of Arch Re Europe in Dublin since September 2010. He also served as president and chief executive officer of the Swiss Branch of Arch Re in Europe from October 2006 to September 2010. Prior to 2006, he held various positions at Executive Boards of the Gothaer Group, a German mutual based in Cologne from 1998. Prior to 1998, Mr. Söhler worked for more than 10 years for Kölnische Rück (today part of General Re) in various underwriting and management positions. Mr. Söhler has a degree in business administration from Hamburg University.

Mr. van Munster, 37, is currently a team leader legal at TMF Netherlands B.V. (formerly Equity Trust). Prior to joining TMF Netherlands B.V. in 2010, he practiced law at Baker & McKenzie Amsterdam N.V. for five years. From 1998 to 2005, he practiced law in the Netherlands, starting his

Table of Contents

career at the law firm of Holland Van Gijzen Advocaten en Notarissen. He is a graduate of the Titus Brandsmalyceum and the University of Tilburg in the Netherlands.

Mr. Watson, 48, serves as senior vice president and chief operations officer of Arch Insurance Europe. He joined Arch Insurance Europe in March 2005 as head of claims. He has over 20 years of experience handling claims in the insurance industry. Prior to joining Arch Insurance Europe, he held various claims management positions, including head of claims, at Hiscox Insurance Company in the U.K. between 1999 and 2006. From 1993 to 1996, Mr. Watson also served in a variety of claims roles at Chubb Insurance Company of Europe.

Mr. Weatherstone, 46, has been president and chief executive officer of Arch Insurance Europe since May 2008. Prior to that time, he served as chief underwriting officer and senior vice president of Arch Insurance Europe since March 2007. On joining Arch Insurance Europe in 2005, he was originally appointed as vice president and manager of executive assurance. Prior to Arch Insurance Europe, Mr. Weatherstone was employed by XL Group plc from 1992 until 2005 where he held various roles, including deputy underwriter of Syndicate 861/1209 at Lloyd's and director of Brockbank Syndicate Management Ltd. In 2002, he was responsible for establishing the London branch of XL Europe Ltd for the purpose of writing executive assurance and professional liability business. Prior to XL Group plc, he worked as a financial lines underwriter with the Merrett Group and as a broker with Willis Ltd. Mr. Weatherstone is an associate of the Chartered Insurance Institute and a graduate in Economics & History from Exeter University.

Mr. Wolfe, 64, has been a director of Arch Insurance Canada since July 2012. Mr. Wolfe has over 40 years of experience in the insurance industry, most recently as senior vice president, casualty operations at Berkley Canada from 2008 to 2010. From 2008 to 2010, he was casualty manager at Creechurch International Underwriters, and from 1975 to 2005, he served in several senior positions at General Reinsurance, Canada, including senior vice president, treaty operations. Mr. Wolfe also served as the Chief Agent of General Reinsurance Canada for 20 years. Mr. Wolfe has a B.A. from the University of Montreal.

Required Vote

The affirmative vote of a majority of the voting power of all of our common shares represented at the annual general meeting will be required for the election of Designated Company Directors.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF THE DESIGNATED COMPANY DIRECTORS INDICATED ABOVE.

Table of Contents

**PROPOSAL 3 APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of the Board of Directors proposes and recommends that the shareholders appoint the firm of PricewaterhouseCoopers LLP to serve as independent registered public accounting firm of ACGL for the year ending December 31, 2013. PricewaterhouseCoopers LLP has served as ACGL's independent registered public accounting firm from our inception in June 1995 to the present. Unless otherwise directed by the shareholders, proxies will be voted for the appointment of PricewaterhouseCoopers LLP to audit our consolidated financial statements for the year ending December 31, 2013. A representative of PricewaterhouseCoopers LLP will attend the annual general meeting and will have an opportunity to make a statement and respond to appropriate questions.

Principal Auditor Fees and Services

The following table summarizes professional services rendered by PricewaterhouseCoopers LLP for the fiscal years ended December 31, 2012 and 2011.

	2012	2011
Audit Fees(1)	\$ 4,319,196	\$ 3,844,896
Audit Related Fees(2)	237,148	83,337
Tax Fees(3)	593,503	423,399
All Other Fees(4)	208,502	418,145
	\$ 5,358,349	\$ 4,769,777

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- (1) "Audit Fees" consisted primarily of fees for the integrated audit of our annual financial statements and internal control over financial reporting, review of our financial statements included in our quarterly reports on Form 10-Q, statutory audits for our insurance subsidiaries and review of SEC registration statements.
- (2) "Audit Related Fees" consisted of the audit of the Company's benefit plans and other audit related services.
- (3) "Tax Fees" consisted primarily of fees for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" consisted primarily of fees related to insurance regulatory compliance services and software licensing fees.

The audit committee has considered whether the provision of these services is compatible with maintaining PricewaterhouseCoopers LLP's independence. The audit committee approves all audit and permissible non-audit services performed for us by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Prior to engagement, the audit committee pre-approves these services by category of service. The fees are budgeted and the audit committee requires the independent registered public accounting firm and management to report actual fees compared to the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the audit committee requires specific pre-approval before engaging the independent registered public accounting firm. The audit committee delegates pre-approval authority to one or more of its independent members. To the extent applicable, the member to whom such authority is delegated reports, for informational purposes only, any pre-approval decisions to the audit committee at its next scheduled meeting.

Table of Contents

Required Vote

The affirmative vote of a majority of the voting power of all of our common shares represented at the annual general meeting will be required for the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2013.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2013.

Table of Contents

PROPOSAL 4 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") allows our shareholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules.

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 of Directors, 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 of Directors 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 of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

Table of Contents

SHAREHOLDER PROPOSALS FOR THE 2014 ANNUAL GENERAL MEETING

All proposals of security holders intended to be presented at the 2014 annual general meeting of shareholders must be received by the Company not later than November 29, 2013 for inclusion in our proxy statement and form of proxy relating to the 2014 annual general meeting. Upon timely receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement and proxy in accordance with applicable regulations and provisions governing the solicitation of proxies. Proposals should be addressed to the Secretary, Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda.

For any proposal that is not submitted for inclusion in next year's proxy statement (as described in the preceding paragraph) but is instead sought to be presented directly at next year's annual general meeting, the rules of the SEC permit management to vote proxies in its discretion if we do not receive notice of the proposal on or before February 6, 2014. Notices of intention to present proposals at next year's annual general meeting should be addressed to the Secretary, Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda.

In addition, our bye-laws provide that any shareholder desiring to make a proposal or nominate a director at an annual general meeting must provide written notice of such proposal or nomination to the Secretary of the Company at least 50 days prior to the date of the meeting at which such proposal or nomination is proposed to be voted upon (or, if less than 55 days' notice of an annual general meeting is given, shareholder proposals and nominations must be delivered no later than the close of business of the seventh day following the day notice was mailed). Our bye-laws require that notices of shareholder proposals or nominations set forth the following information with respect to each proposal or nomination and the shareholder making such proposal or nomination: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of our common shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each such nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each such nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each such nominee to serve as a director of ACGL if so elected.

A shareholder proponent must be a shareholder of the Company who was a shareholder of record both at the time of giving of notice and at the time of the meeting and who is entitled to vote at the meeting.

Shareholders are entitled to receive, upon written request and without charge, a copy of our Annual Report on Form 10-K for the year ended December 31, 2012. Please direct such requests to Secretary, Arch Capital Group Ltd., Wessex House, 5th Floor, 45 Reid Street, Hamilton HM 12, Bermuda.

