

**AMENDED AND RESTATED
TAX SHARING AGREEMENT**

Between

ARCH CAPITAL GROUP (U.S.) INC.

And

SUBSIDIARIES

Dated

January 1, 2002

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AMENDED AND RESTATED TAX SHARING AGREEMENT

This Amended and Restated Tax Sharing Agreement (this "Agreement") is made and entered into as of the 1st day of January 2002 by and among Arch Capital Group (U.S.) Inc., a Delaware corporation ("Parent"), Altrisc Services, Inc. a Delaware Corporation ("Altrisc"), Hales & Company, Inc., a Delaware corporation ("Hales"), First American Service Corporation, a Missouri corporation ("FASC"), Arch Reinsurance Company, a Nebraska corporation ("Arch Re"), Arch Insurance Group Inc., a Missouri corporation ("Arch Insurance Group"), Arch Insurance Company, a Missouri corporation ("Arch Insurance"), Arch Specialty Insurance Company, a Wisconsin corporation ("Arch Specialty"), Arch Excess & Surplus Insurance Company, a Nebraska corporation ("Arch Excess & Surplus"), Arch Specialty Insurance Agency, Inc., a Missouri corporation ("Arch Agency"), NEIV Holdings, Inc., a Delaware corporation ("NEIV" and collectively with Altrisc, Hales, FASC, Arch Re, Arch Insurance Group, Arch Insurance, Arch Specialty, Arch Excess & Surplus, and Arch Agency, the "Subsidiaries", and each a "Subsidiary").

WHEREAS, Parent and Subsidiaries are members of an affiliated group of corporations within the meaning of Section 1504(a) of the Code, of which Parent is the common parent; and

WHEREAS, Parent and each Subsidiary have elected to be included in the filing of consolidated federal income tax returns in accordance with Section 1501 of the Code on behalf of the Parent Group and desire to participate, to the extent permitted by applicable state or local law, in combined state and local income tax returns if so requested by Parent, and to allocate and settle in an equitable manner the state or local income tax liability shown on such combined returns; and

WHEREAS, Parent and each Subsidiary wish to allocate and settle among themselves in an equitable manner the Consolidated U.S. Tax Liability of the Parent Group; and

WHEREAS, Arch Insurance Group, Arch Insurance and Arch Specialty became members of the Parent Group on May 1, 2002; and

WHEREAS, Arch Excess & Surplus became a member of the Parent Group on July 2, 1998; and

WHEREAS, Parent and certain Subsidiaries were parties to that certain Tax Sharing Agreement dated as of September 19, 1995, as amended and restated as of June 1, 1997; and

WHEREAS, Arch Insurance Group and Arch Insurance were parties to an Agreement Concerning Consolidated Federal Income Tax Returns, dated as of June 24, 1992; and

WHEREAS, the Parent and Subsidiaries wish to further amend and restate the Tax Sharing Agreement, as provided herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. **Definitions**

1.1 For purposes of this Agreement, the terms set forth below shall be defined as follows:

1.1.1 "**AIGI Group**" shall mean that group of companies within the Parent Group consisting of Arch Insurance Group, Arch Insurance, Arch Specialty, Arch Excess & Surplus, Altrisc, Arch Agency, First American Agency, First American - Texas, and FASC.

1.1.2 "**Code**" shall mean the United States Internal Revenue Code of 1986, as the same shall be amended from time to time.

1.1.3 "**Consolidated U.S. Tax Liability**" shall mean all taxes shown on the Federal Return as filed, or as revised by administrative or judicial determination or redetermination. For purposes of this definition "taxes" shall mean all corporate income tax imposed by the Code on the Parent Group, as reduced by all offsets and credits allowed by the Code.

1.1.4 "**Federal Return**" shall mean the consolidated U.S. federal income tax return filed by Parent pursuant to Section 1501 of the Code.

1.1.5 "**Parent Group**" shall mean Parent and all corporations (whether now existing or hereafter formed or acquired) that have consented or are required to join with Parent (or any successor common parent corporation) in filing the Federal Return.

1.1.6 "**Regulations**" shall mean the regulations promulgated pursuant to the Code, as the same shall be amended from time to time.

1.1.7 "**Service**" shall mean the United States Internal Revenue Service.

1.1.8 "**Subsidiary**" shall mean each corporation other than Parent that is a member of the Parent Group and signatory to this Agreement.

1.1.9 "**Taxes Payable**" shall, with respect to a Subsidiary, mean the federal income tax liability of such Subsidiary as determined under Section 4 of this Agreement.

1.2 Other terms used in this Agreement shall have the meanings ascribed to them in the Code and the Regulations, and any rulings issued thereunder. Except as otherwise provided herein, this Agreement shall be interpreted in accordance with the Code and the Regulations and rulings issued thereunder then in effect.

2. **Effective Date and Other Agreements**

2.1 **Effective Date.** Except as otherwise provided in this Agreement, this Agreement is applicable for all taxable periods ending after December 31, 1994.

2.2 **Prior Agreements.** This Agreement shall supersede all prior agreements and understandings, if any, concerning tax sharing between Parent and each of the Subsidiaries.

3. Matters Concerning the Federal Return

3.1 Agreement to File the Federal Return. Unless this Agreement is terminated as provided in Section 11 hereof, each Subsidiary agrees to join with Parent in filing the Federal Return for each taxable year for which it is eligible to do so under the Code.

3.2 Filing the Federal Return. Parent shall file the Federal Return, and any amended returns, for each taxable year in accordance with the Code and Regulations.

3.3 Payment of Taxes. For each taxable period, Parent shall timely pay or discharge, or cause to be timely paid or discharged, the Consolidated U.S. Tax Liability for such taxable period and any estimated taxes due on such taxable period (and, also, the combined state or local income tax liability shown on any combined return which Parent elects or is required to file).

3.4 Decisions and Actions Incidental to Filing the Federal Return. Each Subsidiary irrevocably appoints Parent to be its sole and exclusive agent to the maximum extent permitted under the Code, duly authorized to act on its behalf in all matters relating to the Federal Return (including any refunds thereunder) for each taxable year and agrees that Parent, after consultation with such Subsidiary, shall in its sole discretion make any and all decisions and take any and all actions incidental to preparing and filing the Federal Return for each taxable year, including, but not limited to, preparing the Federal Return, requesting extensions of time to file the Federal Return, making elections under the Code and compromising, settling or litigating disputes (including any claim for refund) with the Service. Nothing herein shall be construed as requiring Parent to file combined state or local income tax returns with any Subsidiary for any period.

Each Subsidiary further agrees to (i) furnish Parent with any and all information requested by Parent in order to carry out the provisions of this Agreement, (ii) cooperate with Parent in executing and filing any return, statement, election, or consent provided for in the Code and the Regulations, and any rulings issued thereunder, (iii) take such action as Parent may request, including, but not limited to, the filing of requests for extension of time within which to file tax returns, and (iv) cooperate in connection with any refund claim, audit, administrative, judicial or other proceeding.

3.5 Certain Expenses. Each Subsidiary shall reimburse Parent for its pro rata share of all legal and accounting expenses incurred by Parent in the course of the conduct of any audit or contest regarding the Consolidated U.S. Tax Liability, and for all expenses incurred by Parent in the course of any litigation relating thereto. The pro rata share of each Subsidiary shall be determined by Parent based on such Subsidiary's share of the tax liability giving rise to such expense; provided, however, that the expense allocated to a Subsidiary does not exceed that Subsidiary's computation of potential recovery or savings from the Service.

3.6 Access to Necessary Information. Each Subsidiary shall furnish to Parent in a timely manner such information and documents as Parent may reasonably request for purposes of preparing and filing the Federal Return.

4. Tax Calculation

4.1 Tax Sharing. Except as otherwise provided in paragraph 4.2.1 and paragraph 4.3 hereof, Taxes Payable for each Subsidiary under this Agreement shall be computed as if such Subsidiary filed a separate return on a stand-alone basis with the Service for the applicable taxable year or part thereof during which such Subsidiary was a member of the Parent Group. Such tax shall be calculated by applying to the separate return the maximum federal corporate tax rate without regard to graduated tax rates or exemptions subject to the provisions in 4.1.2. Any limitation, for example, charitable contribution of Code Section 1231 gain or loss shall be calculated on a separate company basis. Changes to separate taxable income as listed in Section 1.1502-12 of the Regulations shall not apply.

4.1.1 Penalties. Any penalty included in the Consolidated U.S. Tax Liability shall be allocated to a Subsidiary to the extent such Subsidiary would have been liable for such penalty had it filed a separate U.S. federal income tax return (or a consolidated U.S. federal income tax return as an affiliated group separate from the Parent Group); provided, however, that the aggregate penalty allocated to all Subsidiaries with respect to a tax year shall not exceed any penalty imposed upon the Parent Group for such year.

4.1.2 Alternative Minimum Tax. In the event the Parent Group is subject to alternative minimum tax, each Subsidiary's basis of tax will be determined on separate company alternative minimum tax. If the Parent Group is subject to regular tax, each Subsidiary's basis of tax will be determined on separate company regular tax.

4.2 Subsidiary Taxes Payable. Except as otherwise provided in paragraph 4.2.1 hereof, each Subsidiary shall pay Parent the amount of its Taxes Payable for any taxable period (including for this purpose estimated taxes that would be payable by such Subsidiary) as determined under paragraph 4.1 hereof before the end of the calendar month in which Parent makes any payments (either separately or as a component of the Consolidated U.S. Tax Liability) under paragraph 3.3 hereof, but in no event later than three (3) business days prior to the date on which Parent is required to make such payment. If the amount of any estimated tax payments which are paid by any Subsidiary to Parent for any taxable year exceeds the Taxes Payable of such Subsidiary for such tax year, Parent shall refund such excess (without interest) to such Subsidiary within 30 days after the filing of the applicable Federal Return. If the amount of any estimated tax payments which are refunded by Parent to any Subsidiary for any taxable year exceeds the tax refund of such tax year, Subsidiary shall refund such excess (without interest) to Parent within 30 days after the filing of the applicable Federal Return.

4.2.1 Treatment of AIGI Group. With respect to the payment of taxes by each Subsidiary to the Parent, tax payments within the AIGI Group (as provided in paragraph 4.2.2 hereof), will first be made by Arch Insurance, Arch Specialty, Arch Excess & Surplus, Altrisc, Arch Agency, First American Agency, First American - Texas, and FASC, respectively, to Arch Insurance Group. Arch Insurance Group shall thereafter make any necessary payments of taxes to the Parent.

4.2.2 Determination of AIGI Group Taxes. Notwithstanding any other provision of this Agreement concerning the determination of Taxes Payable by each Subsidiary under this Agreement, to determine payment of AIGI Group Taxes Payable, AIGI Group will calculate a separate consolidated return pursuant to the consolidated return Regulations prior to making the payments as contemplated by paragraph 4.1 of this Agreement. For purposes of calculation of Taxes Payable by each Subsidiary, and for purposes of changes in Taxes Payable pursuant to paragraph 4.3 hereof, AIGI Group shall be deemed to be a Subsidiary. The provisions of this paragraph shall in no event cause any Subsidiary within the AIGI Group to forego a refund or to receive a refund at a later date than would be the case were such Subsidiary to file a separate Federal Return with the Service.

4.3 Changes in Taxes Payable. The amount of Taxes Payable described in this Section 4 shall be recomputed whenever necessary to reflect adjustments from among other things: (A) a carryback or carryforward of an unused net operating loss, capital loss, investment tax credit, general business credit, foreign tax credit or other income offsets or tax credits available for such taxable year; (B) a revision, adjustment or redetermination arising from any administrative or judicial determination; (C) a filing of an amended return; and (D) a filing of a claim for refund. The changes to Taxes Payable (including any interest and penalties attributable thereto) so recomputed shall be paid by the applicable Subsidiary to Parent or paid by Parent to the applicable Subsidiary within 30 days of the date the deficiency is paid or the refund is received by Parent. Any such payments shall not accrue interest for such 30-day period.

4.3.1 Payments for Losses or Credits. Parent will pay each Subsidiary for separate company net operating losses, capital loss carryovers, charitable contributions, Code Section 1231 gains and losses, foreign tax credits, general business credits, etc. (collectively referred to, herein, as "Losses") generated by it, that are used in the consolidated return of the Parent Group to the extent those Losses may be utilized by Subsidiary on a separate return basis. Parent shall pay Subsidiary for any Losses generated by it to the extent that Losses cannot be fully utilized by Subsidiary on a separate return basis but were actually used in the consolidation of the Parent Group. Such payment shall be equal to the tax savings to the Parent Group generated by such excess Losses actually utilized.

Once Subsidiary is paid for its excess Losses actually utilized, it cannot thereafter use such Losses in the calculation of any future separate return taxable income. Any Losses which are not used in the consolidated return and for which Subsidiary has not been paid shall be carried forward to subsequent periods and shall be taken into account to the extent authorized by law in the computation of separate return taxable income with respect to such periods.

4.4 State Income Taxes. In the event one or more Subsidiaries are included in a combined, joint, consolidated, unitary or similar state income or franchise tax return with Parent or any other Subsidiary (the "Filing Corporation"), the Filing Corporation shall file such returns, pay the taxes, and make decisions and take actions incidental to the filing of any such returns on a state-by-state basis in a manner consistent with the approach provided with respect to the Federal Return by this Agreement.

4.5 Computation and Payment of Taxes. Computations of Taxes Payable as hereinabove described shall be made quarterly by Parent. When the Federal Return and the state

income or franchise tax returns for each year have been filed by Parent (or, with respect to state returns, other applicable Filing Corporation), Parent shall recompute the Taxes Payable (and the state income and franchise taxes payable) based on the tax returns as filed. Except as specifically provided in paragraphs 4.2 through 4.4, the quarterly payments, payments based on the Federal Return and any payments resulting from redeterminations shall be paid by Parent or the applicable Subsidiary, as the case may be, before the end of the calendar month in which payments are due, such returns are filed, the deficiency is paid or the refund is received, as the case may be.

5. **Resolution of Disputes**

Any dispute concerning the calculation or basis of determination of any payment provided for hereunder shall be resolved by the independent certified public accountants for Parent, whose judgment shall be conclusive and binding upon the parties, in the absence of manifest error.

6. **Adjudications**

In any audit, conference, or other proceeding with the Service or the relevant state or local authorities, or in any judicial proceedings concerning the determination of the U.S. federal income tax liabilities of the Parent Group (or any Subsidiaries) or the state or local income tax liability of any combined group including Parent (or any Subsidiaries), Parent or the applicable Subsidiary shall be represented by persons selected by Parent. The settlement of any issues relating to such proceeding shall be in the sole discretion of Parent, and each Subsidiary hereby appoints Parent as its agent for the purpose of proposing and concluding any such settlement.

7. **Construction**

The provisions of this Agreement shall be administered by the Parent. The Parent shall exercise such discretion as is necessary to interpret and construe the provisions of this Agreement to equitably reflect the costs and benefits of the inclusion of the Subsidiaries in the Federal Returns filed on behalf of the Parent Group and any state returns filed by or on behalf of the Subsidiaries.

8. **Effect of This Agreement**

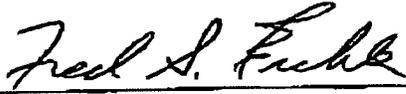
This Agreement shall determine the liability of the Parent and each Subsidiary to each other as to the matters provided for herein, whether or not such determination is effective for purposes of the Code or state or local revenue laws (and regardless of the actual method for allocating federal income tax liabilities for purposes of calculating earnings and profits specified in Regulations Sections 1.1552-1(a) and 1.1502-33(d)(2) elected, or deemed elected, by the Parent Group), financial reporting purposes or other purposes.

9. **Counterparts**

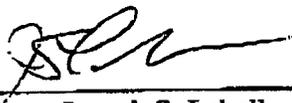
This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 1st day of January 2002.

ARCH CAPITAL GROUP (U.S.) INC.

By: 
Name: Fred S. Eichler
Title: Senior Vice President & CFO

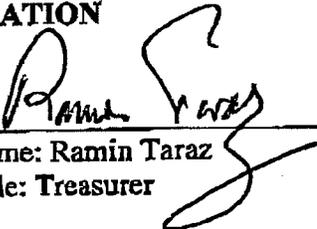
ALTRISC SERVICES, INC.

By: 
Name: Joseph S. Labell
Title: Secretary

HALES & COMPANY, INC.

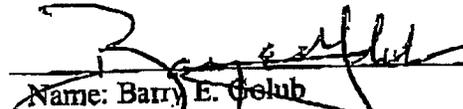
By: _____
Name: Jeff Cappel
Title: President and CEO

FIRST AMERICAN SERVICE CORPORATION

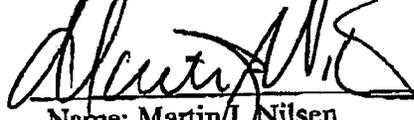
By: 
Name: Ramin Taraz
Title: Treasurer

[SIGNATURES CONTINUED]

ARCH REINSURANCE COMPANY

By: 
Name: Barry E. Golub
Title: Treasurer and Controller

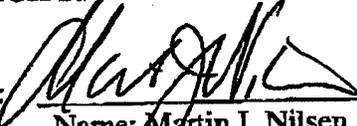
ARCH INSURANCE GROUP INC.

By: 
Name: Martin J. Nilsen
Title: Senior Vice President

ARCH INSURANCE COMPANY

By: 
Name: Martin J. Nilsen
Title: Senior Vice President

ARCH SPECIALTY INSURANCE COMPANY

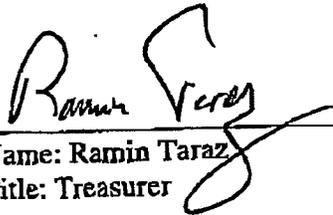
By: 
Name: Martin J. Nilsen
Title: Senior Vice President

ARCH EXCESS & SURPLUS INSURANCE COMPANY

By: 
Name: Martin J. Nilsen
Title: Senior Vice President

[SIGNATURES CONTINUED]

**ARCH SPECIALTY INSURANCE AGENCY,
INC.**

By: 
Name: Ramin Taraz
Title: Treasurer

NEIV HOLDINGS, INC.

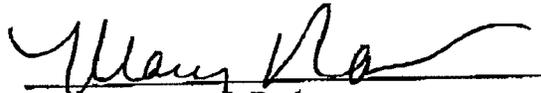
By: 
Name: Marcy S. Rathman
Title: Secretary

Exhibit A

**AMENDED AND RESTATED
TAX SHARING AGREEMENT**

NEW MEMBER

Reference is made to the Amended and Restated Tax Sharing Agreement (the "Agreement") entered in as of the 1st day of January 2002, by and among Arch Capital Group (U.S.) Inc., a Delaware corporation ("Parent"), and each Subsidiary as defined therein. Unless otherwise indicated, all capitalized terms used herein will have the meanings set forth in the Agreement.

WHEREAS, Section 10 of the Agreement provides that any new subsidiary that qualifies under the Agreement as a Subsidiary will become a party to this Agreement, upon signing this Agreement, without the express written consent of the other parties, for all purposes of this Agreement with respect to taxable periods ending after such Subsidiary was added to the Parent Group;

NOW, THEREFORE, pursuant to Section 10 of the Agreement, the undersigned Subsidiary shall hereby become a party to the Agreement as of _____.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed as of the ____ day of _____, _____.

(Name of Corporation)

By: _____
Name:
Title:

**AMENDED AND RESTATED
TAX SHARING AGREEMENT**

NEW MEMBER

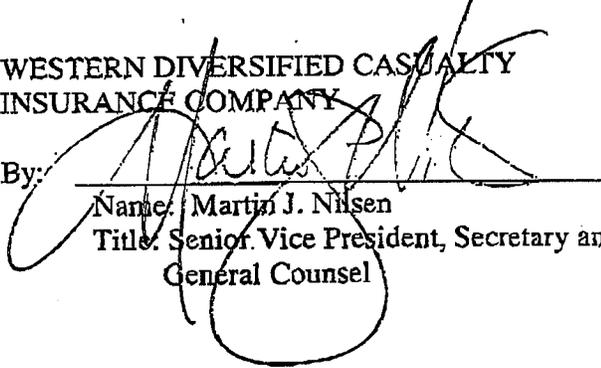
Reference is made to the Amended and Restated Tax Sharing Agreement (the "Agreement") entered in as of the 1st day of January 2002, by and among Arch Capital Group (U.S.) Inc., a Delaware corporation ("Parent"), and each Subsidiary as defined therein. Unless otherwise indicated, all capitalized terms used herein will have the meanings set forth in the Agreement.

WHEREAS, Section 10 of the Agreement provides that any new subsidiary that qualifies under the Agreement as a Subsidiary will become a party to this Agreement, upon signing this Agreement, without the express written consent of the other parties, for all purposes of this Agreement with respect to taxable periods ending after such Subsidiary was added to the Parent Group;

NOW, THEREFORE, pursuant to Section 10 of the Agreement, the undersigned Subsidiary shall hereby become a party to the Agreement as of June 23, 2003.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed as of the 23rd day of June 2003.

WESTERN DIVERSIFIED CASUALTY
INSURANCE COMPANY

By: 

Name: Martin J. Nilsen

Title: Senior Vice President, Secretary and
General Counsel