

ARCH CAPITAL GROUP LTD
Form SC 13D/A
December 18, 2002

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 2)

ARCH CAPITAL GROUP LTD.

(Name of Issuer)

COMMOM SHARES, PAR VALUE \$0.01 PER SHARE

(Title of Class of Securities)

011576290

(CUSIP Number)

SCOTT A. ARENARE, ESQ.
WARBURG PINCUS LLC
466 LEXINGTON AVENUE
NEW YORK, NY 10017
(212) 878-0600

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications)

WITH A COPY TO:

ANDREW R. BROWNSTEIN, ESQ.
WACHTELL, LIPTON, ROSEN & KATZ
51 WEST 52ND STREET
NEW YORK, NY 10019
(212) 403-1000

December 16, 2002

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of ss.ss. 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box: .

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

CUSIP No. 011576290

SCHEDULE 13D

Page 2 of 13 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
Warburg Pincus (Bermuda) Private Equity VIII, L.P.
I.R.S. IDENTIFICATION NO. 13-4194502

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION
BERMUDA

7
SOLE VOTING POWER
11,455,240 (1)

NUMBER OF

8
SHARED VOTING POWER
-0-

BENEFICIALLY

9
OWNED BY SOLE DISPOSITIVE POWER
11,455,240 (1)

EACH

10
REPORTING SHARED DISPOSITIVE POWER
-0-

PERSON WITH

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

BENEFICIALLY

9
 OWNED BY SOLE DISPOSITIVE POWER
 10,997,030 (3)

EACH

10
 REPORTING SHARED DISPOSITIVE POWER
 -0-

PERSON WITH

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
 10,997,030 (3)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN
 SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
 29.2% (4)

14 TYPE OF REPORTING PERSON
 PN

(3) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(4) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

CUSIP No. 011576290

SCHEDULE 13D

Page 4 of 13 Pages

1 NAME OF REPORTING PERSON
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

Warburg Pincus Netherlands International Partners I, C.V.
 I.R.S. IDENTIFICATION NO. 13-4133834

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
 (a)
 (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
 WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
 PURSUANT TO ITEMS 2(d) OR 2(e)

6	CITIZENSHIP OR PLACE OF ORGANIZATION THE NETHERLANDS
7	SOLE VOTING POWER 274,925 (5)
8	SHARED VOTING POWER -0-
9	SOLE DISPOSITIVE POWER 274,925 (5)
10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 274,925 (5)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES _
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 1.0% (6)
14	TYPE OF REPORTING PERSON PN

(5) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(6) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

CUSIP No. 011576290

SCHEDULE 13D

Page 5 of 13 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
Warburg Pincus Netherlands International Partners II, C.V.
I.R.S. IDENTIFICATION NO. 13-41333841

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>
3	SEC USE ONLY	<input type="checkbox"/>
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2 (d) OR 2 (e)	<input type="checkbox"/>
6	CITIZENSHIP OR PLACE OF ORGANIZATION THE NETHERLANDS	
7	SOLE VOTING POWER 183,283 (7)	
8	SHARED VOTING POWER -0-	
9	SOLE DISPOSITIVE POWER 183,283 (7)	
10	SHARED DISPOSITIVE POWER -0-	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 183,283 (7)	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	<input type="checkbox"/>
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.7% (8)	
14	TYPE OF REPORTING PERSON PN	

(7) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(8) Gives effect to the new issuance of Common Shares upon the full conversion

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

CUSIP No. 011576290

SCHEDULE 13D

Page 6 of 13 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
Warburg Pincus (Bermuda) Private equity Ltd.
I.R.S. IDENTIFICATION NO. Pending

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION
BERMUDA

7
SOLE VOTING POWER
11,455,240 (9)
NUMBER OF

8
SHARED VOTING POWER
-0-
SHARES

9
SOLE DISPOSITIVE POWER
11,455,240 (9)
BENEFICIALLY OWNED BY

10
SHARED DISPOSITIVE POWER
-0-
EACH REPORTING

11
AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
11,455,240 (9)
PERSON WITH

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
30.1% (10)

14 TYPE OF REPORTING PERSON
CO

(9) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(10) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

CUSIP No. 011576290

SCHEDULE 13D

Page 7 of 13 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
Warburg Pincus (Bermuda) International Ltd.
I.R.S. IDENTIFICATION NO. Pending

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION
BERMUDA

7
SOLE VOTING POWER
10,997,030 (11)

NUMBER OF

8
SHARES SHARED VOTING POWER
-0-

BENEFICIALLY

9

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

OWNED BY SOLE DISPOSITIVE POWER
10,997,030 (11)

EACH

10
REPORTING SHARED DISPOSITIVE POWER
-0-

PERSON WITH

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
10,997,030 (11)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN
SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
29.2% (12)

14 TYPE OF REPORTING PERSON
CO

(11) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(12) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

CUSIP No. 011576290

SCHEDULE 13D

Page 8 of 13 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS
Warburg, Pincus & CO.
I.R.S. IDENTIFICATION NO. 13-6358475

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION
NEW YORK

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

	7	SOLE VOTING POWER 458,208 (13)
NUMBER OF		
	8	SHARED VOTING POWER -0-
SHARES		
BENEFICIALLY		
	9	SOLE DISPOSITIVE POWER 458,208 (13)
OWNED BY		
EACH		
	10	SHARED DISPOSITIVE POWER -0-
REPORTING		
PERSON WITH		
11		AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 458,208 (13)
12		CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>
13		PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 1.6% (14)
14		TYPE OF REPORTING PERSON CO

(13) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(14) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

CUSIP No. 011576290

SCHEDULE 13D

Page 9 of 13 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

Warburg Pincus LLC
I.R.S. IDENTIFICATION NO. 13-3536050

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)
(b)

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

3	SEC USE ONLY	<input type="checkbox"/>
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	<input type="checkbox"/>
6	CITIZENSHIP OR PLACE OF ORGANIZATION NEW YORK	
	7 SOLE VOTING POWER 22,910,478 (15)	
NUMBER OF		
SHARES	8 SHARED VOTING POWER -0-	
BENEFICIALLY		
OWNED BY	9 SOLE DISPOSITIVE POWER 22,910,478 (15)	
EACH		
REPORTING	10 SHARED DISPOSITIVE POWER -0-	
PERSON WITH		
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 22,910,478 (15)	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	<input type="checkbox"/>
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 47.2% (16)	
14	TYPE OF REPORTING PERSON OO	

(15) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

(16) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares.

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

CUSIP No. 011576290

SCHEDULE 13D

Page 10 of 13 Pages

Reference is made to the Statement on Schedule 13D filed on November 20, 2001, as amended by Amendment No. 1 thereto filed September 20, 2002 (as so amended, the "Schedule 13D"), on behalf of Warburg Pincus (Bermuda) Private Equity VIII, L.P., a limited partnership organized under the laws of Bermuda ("WP VIII Bermuda"), Warburg Pincus (Bermuda) International Partners, L.P., a limited partnership organized under the laws of Bermuda ("WPIP Bermuda"), Warburg Pincus Netherlands International Partners I, C.V., a limited partnership organized under the laws of The Netherlands ("WPIP Netherlands I"), Warburg Pincus Netherlands International Partners II, C.V., a limited partnership organized under the laws of The Netherlands ("WPIP Netherlands II", and together with WP VIII Bermuda, WPIP Bermuda and WPIP Netherlands I, the "Investors"), Warburg Pincus (Bermuda) Private Equity Ltd., a company organized under the laws of Bermuda ("WP VIII Bermuda Ltd."), Warburg Pincus (Bermuda) International Ltd., a company organized under the laws of Bermuda ("WPIP Bermuda Ltd."), Warburg, Pincus & Co., a New York general partnership ("WP"), and Warburg Pincus LLC, a New York limited liability company ("WP LLC"). The Investors, together with WP VIII Bermuda Ltd., WPIP Bermuda Ltd., WP and WP LLC, are referred to herein as the "Reporting Persons". All capitalized terms used without definition in this Amendment No. 2 to Schedule 13D shall have the meanings set forth in the Schedule 13D.

This Amendment No. 2 to Schedule 13D amends the Schedule 13D as follows.

ITEM 5. Interest in Securities of the Issuer.

Item 5 of the Schedule 13D is hereby amended and supplemented by adding the following:

- (a) The Reporting Persons beneficially own Common Shares of the Company by virtue of their ownership of an aggregate of 2,003,918 Common Shares and of an aggregate of 20,906,560 Preference Shares, which are convertible into Common Shares as described under Item 4. As of December 18, 2002, the Investors collectively beneficially owned an aggregate of 22,910,478 Common Shares, assuming the full conversion of the Preference Shares into Common Shares. By reason of its relationship with the Investors, under Rule 13d-3 under the Exchange Act, WP may be deemed to beneficially own all of the Common Shares that are beneficially owned by WPIP Netherlands I and WPIP Netherlands II, and WP LLC may be deemed to own beneficially all of the Common Shares that are beneficially owned by the Investors.

Assuming the full conversion of the Preference Shares into Common Shares, as of December 18, 2002, the 22,910,478 Common Shares collectively beneficially owned by the Reporting Persons would represent approximately 47.2% of the outstanding Common Shares, after giving effect to the new issuance of Common Shares upon the full conversion of the Preference Shares into Common Shares and based on the 27,586,184 Common Shares outstanding as of September 30, 2002 as set forth in the Company's Form 10-Q for the quarter then ended.

- (b) The Investors collectively have beneficial ownership of 22,910,478 Common Shares, assuming the full conversion of the Preference Shares into Common Shares. Of these Common Shares, 20,906,560 Common Shares are represented by 20,906,560 Preference

CUSIP No. 011576290

SCHEDULE 13D

Page 11 of 13 Pages

Shares, which even if not converted into Common Shares would in the aggregate be entitled to the voting power equivalent to 20,906,560 Common Shares. Each Investor exercises voting power and dispositive power over its holdings of such shares through its respective general partner, which, in turn, acts through its respective general partner.

- (c) On December 16, 2002, the Company issued to the Investors an aggregate of 1,502,491 Preference Shares as a post-closing purchase price adjustment under the Subscription Agreement. Pursuant to the terms of the Subscription Agreement, the Company was required to issue to each Purchaser a number of Preference Shares so as to reduce such Purchaser's per Preference Share purchase price by \$1.50 in the event that Company's existing Series B Warrants were to become exercisable as a result of the closing price of the Common Shares being at least \$30.00 per share for 20 out of 30 consecutive trading days. Except as otherwise described herein, during the last sixty days there were no transactions effected by the Reporting Persons or by any of the persons set forth on Schedule I hereto.
- (d) Except as set forth in this Item 5, no person other than each respective record owner referred to herein of the Common Shares and the Preference Shares is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such Common Shares or Preference Shares.
- (e) Not applicable.

CUSIP No. 011576290

SCHEDULE 13D

Page 12 of 13 Pages

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: December 18, 2002

WARBURG PINCUS (BERMUDA)
PRIVATE EQUITY VIII, L.P.

By: Warburg Pincus (Bermuda) Private Equity Ltd.,
Its General Partner

By: /s/ Scott A. Arenare

Name: Scott A. Arenare
Title: Authorized Signatory

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

WARBURG PINCUS (BERMUDA)
INTERNATIONAL PARTNERS, L.P.

By: Warburg Pincus (Bermuda) International Ltd.,
Its General Partner

By: /s/ Scott A. Arenare

Name: Scott A. Arenare
Title: Authorized Signatory

WARBURG PINCUS NETHERLANDS
INTERNATIONAL PARTNERS I, C.V.

By: Warburg, Pincus & Co.,
General Partner

By: /s/ Scott Arenare

Name: Scott A. Arenare
Title: Partner

CUSIP No. 011576290

SCHEDULE 13D

Page 13 of 13 Pages

WARBURG PINCUS NETHERLANDS
INTERNATIONAL PARTNERS II, C.V.

By: Warburg, Pincus & Co.,
General Partner

By: /s/ Scott Arenare

Name: Scott A. Arenare
Title: Partner

WARBURG PINCUS (BERMUDA)
PRIVATE EQUITY LTD.

By: /s/ Scott Arenare

Name: Scott A. Arenare
Title: Authorized Signatory

WARBURG PINCUS (BERMUDA)
INTERNATIONAL LTD.

By: /s/ Scott Arenare

Name: Scott A. Arenare

Edgar Filing: ARCH CAPITAL GROUP LTD - Form SC 13D/A

Title: Authorized Signatory

WARBURG, PINCUS & CO.

By: /s/ Scott Arenare

Name: Scott A. Arenare

Title: Partner

WARBURG PINCUS LLC

By: /s/ Scott Arenare

Name: Scott A. Arenare

Title: Managing Director