

ALLIED WORLD ASSURANCE CO HOLDINGS LTD

Form PRE 14A

March 09, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(A) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD

(Name of Registrant as Specified in Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

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- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
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Table of Contents

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
27 Richmond Road
Pembroke HM 08, Bermuda

NOTICE OF 2009 ANNUAL GENERAL MEETING
TO BE HELD ON MAY 7, 2009

March [], 2009

To Our Shareholders:

The 2009 Annual General Meeting of Allied World Assurance Company Holdings, Ltd (the Company) will be held at 10:00 a.m., local time, on Thursday, May 7, 2009 at the Company s corporate headquarters, 27 Richmond Road, Pembroke HM 08, Bermuda, for the following purposes:

To elect three Class III Directors to hold office until the Company s Annual General Meeting in 2012 or until their successors are duly elected and qualified or their office is otherwise vacated;

To approve certain individuals as eligible subsidiary directors of certain of our non-U.S. insurance subsidiaries;

To approve and adopt the Third Amended and Restated Bye-laws of Allied World Assurance Company Holdings, Ltd;

To act on a proposal to appoint Deloitte & Touche as the Company s independent auditors to serve until the Company s Annual General Meeting in 2010; and

To transact such other further business, if any, as lawfully may be brought before the meeting.

Only shareholders of record holding voting common shares, as shown by the transfer books of the Company, as of the close of business on March 11, 2009 are entitled to vote at the Annual General Meeting and at any adjournment or postponement thereof.

Please sign, date and return the enclosed proxy card in the return envelope furnished for that purpose, as promptly as possible, whether or not you plan to attend the meeting. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached Proxy Statement. For further information concerning the individuals nominated as directors, use of the proxy and other related matters, you are urged to read the Proxy Statement on the following pages.

By Order of the Board of Directors,

Wesley D. Dupont
Secretary

TABLE OF CONTENTS

	Page
<u>General Meeting Information</u>	1
<u>Election of Directors</u>	5
<u>Approval of Eligible Subsidiary Directors</u>	10
<u>Approval of the Third Amended and Restated Bye-laws of Allied World Assurance Company Holdings, Ltd</u>	11
<u>Appointment of Independent Auditors</u>	13
<u>Certain Relationships and Related Transactions</u>	14
<u>Principal Shareholders</u>	17
<u>Executive Officers</u>	19
<u>Executive Compensation</u>	20
<u>Shareholder Communication</u>	46
<u>Shareholder Proposals for 2010 Annual General Meeting</u>	46
<u>Other Matters</u>	47
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	47
<u>Notice of Internet Availability of Proxy Materials</u>	47

Table of Contents

**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
27 Richmond Road
Pembroke HM 08, Bermuda**

PROXY STATEMENT

GENERAL MEETING INFORMATION

Q: Why am I receiving these materials?

A: You are receiving these materials because you are a shareholder of Allied World Assurance Company Holdings, Ltd (the Company) as of the Record Date (as defined below). The Board of Directors (the Board) of the Company is soliciting the enclosed proxy to be voted at the 2009 Annual General Meeting of the Company's shareholders to be held at 10:00 a.m., local time, on Thursday, May 7, 2009 at the Company's corporate headquarters, 27 Richmond Road, Pembroke HM 08, Bermuda, and at any adjournment or postponement thereof (the Annual General Meeting). This Proxy Statement summarizes the information you need to know to vote at the Annual General Meeting. References in this Proxy Statement to we, us and our refer to Allied World Assurance Company Holdings, Ltd and our consolidated subsidiaries, unless the context requires otherwise. When the enclosed proxy card is properly executed and returned, the Company's common shares, par value \$0.03 per share (the Common Shares), it represents will be voted, subject to any direction to the contrary, at the Annual General Meeting **FOR** the matters specified in the Notice of Annual General Meeting attached hereto and described more fully herein.

This Proxy Statement, the attached Notice of Annual General Meeting and the enclosed proxy card are being first mailed to shareholders on or about March [], 2009. A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2008 accompanies this Proxy Statement. Although the Annual Report and Proxy Statement are being mailed together, the Annual Report is not part of this Proxy Statement.

Q: Who is entitled to vote?

A: The Board has set March 11, 2009, as the record date for the Annual General Meeting (the Record Date). Shareholders of record holding voting Common Shares (the Voting Shares), as shown by the transfer books of the Company as of the close of business on the Record Date, will be entitled to vote at the Annual General Meeting and at any adjournment or postponement thereof. Holders of non-voting Common Shares (the Non-Voting Shares) will receive this Proxy Statement but are not entitled to vote at the Annual General Meeting and at any adjournment or postponement thereof. As of March 3, 2009, there were outstanding 35,716,627 Voting Shares and 13,521,978 Non-Voting Shares.

Q: What will I be voting on?

A: You are voting on four items (collectively, the proposals):

1. To elect three Class III directors to hold office until the Company's Annual General Meeting in 2012 or until their successors are duly elected and qualified or their office is otherwise vacated;

2. To approve certain individuals as eligible subsidiary directors of certain of our non-U.S. insurance subsidiaries;
3. To approve and adopt the Third Amended and Restated Bye-laws of Allied World Assurance Company Holdings, Ltd; and
4. To act on a proposal to appoint Deloitte & Touche as the Company's independent auditors to serve until the Company's Annual General Meeting in 2010.

You may also vote on any other business that properly comes before the meeting.

Table of Contents

Q: What are the voting recommendations of the Board?

A: Your Board unanimously recommends that you vote:

1. **FOR** each of the nominees to the Board;
2. **FOR** each slate of eligible subsidiary directors;
3. **FOR** the approval and adoption of the Third Amended and Restated Bye-laws of Allied World Assurance Company Holdings, Ltd; and
4. **FOR** the appointment of Deloitte & Touche as the Company's independent auditors.

Q: How many votes do I have?

A: Holders of Voting Shares are entitled to one vote per share on each matter to be voted upon by the shareholders at the Annual General Meeting.

Q: How do I vote?

A: The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that your Voting Shares are represented by certificates or book entries in your name so that you appear as a shareholder on the records of the Company's share transfer agent, Continental Stock Transfer & Trust Company, a proxy card for voting those shares will be included with this Proxy Statement. You may direct how your shares are to be voted by completing, signing and returning the proxy card in the enclosed envelope. If you own shares of record, you may also vote your Voting Shares in person at the Annual General Meeting.

If you own shares through a bank or brokerage firm, you may instead receive from your bank or brokerage firm a voting instruction form with this Proxy Statement that you may use to instruct them how your shares are to be voted. As with a proxy card, you may direct how your shares are to be voted by completing, signing and returning the voting instructions form in the envelope provided. Many banks and brokerage firms have arranged for Internet or telephonic voting of shares and provide instructions for using those services on the voting instruction form. If you want to vote your shares in person at the meeting, you must obtain a proxy from your bank or broker giving you the right to vote your Voting Shares at the Annual General Meeting.

The Company has requested that bank, brokerage and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of Voting Shares and will reimburse the banks, brokers and other fiduciaries for their reasonable out-of-pocket expenses for forwarding the materials.

Q: What does it mean if I receive more than one proxy card?

A: Generally, it means that you hold shares registered in more than one account. To ensure that all of your shares are voted, you should complete, sign and return each proxy card you receive.

Q: What happens if I sign and return my proxy card but do not indicate how to vote my shares?

A: If no instructions are provided in an executed proxy card, the Voting Shares represented by the proxy will be voted at the Annual General Meeting FOR each of the proposals, and, as to any other business as may properly

come before the Annual General Meeting, in accordance with the proxyholder's judgment as to such business.

Q: How are abstentions and broker non-votes treated?

A: Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any of the proposals brought before, the Annual General Meeting. Therefore, abstentions and broker non-votes will have no effect on the outcome of any proposal brought before the Annual General Meeting.

Q: Can I change my vote after I have mailed my signed proxy card or otherwise instructed how my shares are to be voted?

A: Yes. Any shareholder giving a proxy may revoke it prior to its exercise by providing the Secretary of the Company with written notice of revocation, by voting in person at the Annual General Meeting or by executing

Table of Contents

a later-dated proxy card; *provided, however*, that the action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

Attendance at the Annual General Meeting by a shareholder who has executed and delivered a proxy card to us shall not in and of itself constitute a revocation of such proxy. Only your vote at the Annual General Meeting will revoke your proxy.

Q: How does the voting take place at the Annual General Meeting?

A: A vote by poll will be taken on all matters properly brought before the Annual General Meeting. On a vote by poll, each shareholder present who elects to vote in person and each person holding a valid proxy is entitled to one vote for each Voting Share owned or represented.

The three nominees for election as Class III Directors of the Company at the Annual General Meeting who receive the highest number of FOR votes will be elected as directors. This is called plurality voting; an absolute majority of the votes cast is not a prerequisite to election.

All other proposals require the affirmative FOR vote of a majority of the votes cast at the Annual General Meeting.

Q: Are there any voting restrictions?

A: Each Voting Share entitles the holder of record on such date to one vote on a poll; *provided, however*, if the number of Controlled Shares of any holder would constitute 10% or more of the total combined voting power of the issued Voting Shares (such holder, a 10% Shareholder), such holder will have the voting rights attached to its Voting Shares reduced to less than 10% of the total voting rights attached to the issued and outstanding Voting Shares, in the manner provided in the Company's Second Amended and Restated Bye-Laws (the Bye-Laws).
Controlled Shares of any person refers to all Voting Shares owned by such person, whether (i) directly; (ii) with respect to persons who are United States persons, by application of the attribution and constructive ownership rules of Section 958(a) and 958(b) of the U.S. Internal Revenue Code of 1986 (the Code); or (iii) beneficially, directly or indirectly, within the meaning of Section 13(d)(3) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations thereunder.

As of the date of this Proxy Statement, the Company is not aware of any shareholders that possess Controlled Shares requiring a reduction in their voting power to less than 10%; however, the applicability of the foregoing provisions may have the effect of increasing another shareholder's voting power to 10% or more, thereby requiring a corresponding reduction in such other shareholder's voting power. The Company's Bye-Laws exclude from the calculation of the 10%-voting power limitation described in the preceding paragraph any Voting Shares owned by a bank, broker, dealer or investment adviser that does not have or exercise the power to vote those shares and that has only a passive investment intent as reflected in its ability to file beneficial ownership reports on Schedule 13G under the Exchange Act with respect to the Voting Shares it holds. Because the applicability of the voting power reduction provisions to any particular shareholder depends on facts and circumstances that may be known only to the shareholder or related persons, the Company requests that any holder of Voting Shares with reason to believe that it is a 10% Shareholder within the meaning of the Bye-Laws please contact the Secretary of the Company promptly so that the Company may determine whether the voting power of such holder's Voting Shares should be reduced. By submitting a proxy, a holder of Voting Shares will be deemed to have confirmed that, to its knowledge, it is not, and is not acting on behalf of, a 10% Shareholder. The Company's directors are empowered to require any shareholder to provide information as to that shareholder's legal or beneficial share ownership, the names of persons having beneficial ownership of the shareholder's shares, relationships with other

shareholders or persons or any other facts the directors may deem relevant to a determination of the number of Controlled Shares attributable to any person. The directors may disregard the votes attached to shares of any holder failing to respond to such a request or submitting incomplete or untrue information. The directors retain certain discretion to make such final adjustments as to the aggregate number of votes attaching to the Voting Shares of any shareholder that they consider fair and reasonable in all the circumstances to ensure that no person will be a 10% Shareholder at any time.

Table of Contents

Q: How many votes are required to transact business at the Annual General Meeting?

A: A quorum is required to transact business at the Annual General Meeting. Without giving effect to the limitation on voting rights described above, the quorum required at the Annual General Meeting is two or more persons present in person and representing in person or by proxy more than 50% of the total issued and outstanding Voting Shares throughout the meeting.

Q: What else will happen at the Annual General Meeting?

A: At the Annual General Meeting, shareholders will also receive the report of the Company's independent auditors and the Company's financial statements for the year ended December 31, 2008.

Q: Who pays the costs of soliciting proxies?

A: The cost of the solicitation of proxies will be borne by the Company. Solicitation will be made by mail, and may be made by the Company's directors, officers and employees, personally or by telephone, facsimile or other electronic means, for which the Company's directors, officers and employees will not receive any additional compensation. Proxy cards and materials also will be distributed to beneficial owners of Voting Shares through banks, brokers, custodians, nominees and other parties, and the Company expects to reimburse such parties for their charges and expenses. W.F. Doring & Co., Inc. has been retained to assist the Company in the solicitation of proxies at a fee not expected to exceed \$3,500, plus out-of-pocket expenses.

Q: How may I receive a copy of the Company's Annual Report on Form 10-K?

A: The Company will furnish without charge to any shareholder, a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the U.S. Securities and Exchange Commission (the SEC). A copy of such report may be obtained upon written request to the Company at 27 Richmond Road, Pembroke HM 08, Bermuda, Attention: Wesley D. Dupont, Secretary. Each such request must include a representation that, as of March 11, 2009, the person making the request was a beneficial owner of Common Shares entitled to vote at the Annual General Meeting. The Annual Report on Form 10-K, and all of the Company's filings with the SEC, can be accessed through our website at www.awac.com under the SEC Filings link located in the section entitled Investor Relations. As permitted by the SEC's rules, the Company will not furnish any exhibits to its Annual Report on Form 10-K without charge, but will provide along with such report a list of such exhibits and information about its charges for providing them.

Table of Contents**ELECTION OF DIRECTORS****(Item A on Proxy Card)**

The Board is divided into three classes of directors, Class I, Class II and Class III, each of approximately equal size. Three director nominees are being presented for election at the Annual General Meeting to serve as Class III Directors until the Annual General Meeting in 2012 or until their successors are duly elected and qualified or their office is otherwise vacated. All of the nominees are current members of the Board. Such nominees were recommended for appointment to the Board by the Nominating & Corporate Governance Committee of the Board.

Your Board unanimously recommends a vote FOR each of the nominees listed on the enclosed proxy card. It is not expected that any of the nominees will become unavailable for election as a director but, if any nominee should become unavailable prior to the meeting, proxies will be voted for such persons as your Board shall recommend.

The name, age, principal occupation and certain other information concerning each nominee is set forth below.

Scott A. Carmilani (age 44) was elected our President and Chief Executive Officer in January 2004, became a director in September 2003 and was appointed Chairman of the Board in January 2008. Mr. Carmilani was, prior to joining our Company as Executive Vice President in February 2002, the President of the Mergers & Acquisition Insurance Division of subsidiaries of American International Group, Inc. (AIG) and responsible for the management, marketing and underwriting of transactional insurance products for clients engaged in mergers, acquisitions or divestitures. Mr. Carmilani was previously the Regional Vice-President overseeing the New York general insurance operations of AIG. Before that he was the Divisional President of the Middle Market Division of National Union Fire Insurance Company of Pittsburgh, Pa., which underwrites directors and officers liability, employment practice liability and fidelity insurance for middle-market-sized companies. Prior to joining our Company, he held a succession of underwriting and management positions with subsidiaries of AIG since 1987.

James F. Duffy (age 65) was appointed to the Board in July 2006. Mr. Duffy retired in 2002 as Chairman and Chief Executive Officer of The St. Paul Reinsurance Group, where he originally served from 1993 until 2000 as President and Chief Operating Officer of global reinsurance operations. Prior to this, Mr. Duffy served as an executive vice president of The St. Paul Companies from 1984 to 1993, and as President and Chief Operating Officer of St. Paul Surplus Lines Insurance Company from 1980 until 1984. Mr. Duffy had 15 years prior experience in insurance underwriting with Employers Surplus Lines Insurance Company, First State Insurance Company and New England Re.

Bart Friedman (age 64) was appointed to the Board in March 2006, was elected Deputy Chairman of the Board in July 2006 and was appointed Lead Independent Director of the Board in January 2008. Mr. Friedman has been a partner at Cahill Gordon & Reindel LLP, a New York law firm, since 1980. Mr. Friedman specializes in corporate governance, special committees and director representation. Mr. Friedman worked early in his career at the SEC. Mr. Friedman is currently a member of the board of directors of Sanford Bernstein Mutual Funds, where he is a member of the Audit Committee and the Nominating and Governance Committee.

The following individuals are the Company's continuing directors:

Name	Position	Term Expires
Patrick de Saint-Aignan	Class II Director	2010

Scott Hunter	Class II Director	2010
Mark R. Patterson	Class I Director	2011
Samuel J. Weinhoff	Class I Director	2011

Patrick de Saint-Aignan (age 60) was appointed to the Board in August 2008. Mr. de Saint-Aignan has held multiple positions at Morgan Stanley internationally from 1974 to 2008, where he was a Managing Director and, most recently, an Advisory Director. He held responsibilities in corporate finance and capital markets and headed successively Morgan Stanley's global fixed income derivatives and debt capital markets activities, its office in Paris, France, and the firm-wide risk management function. He was also a Founder, Director and Chairman of the International Swaps and Derivatives Association (1985-1992), Censeur on the Supervisory Board of IXIS Corporate and Investment Bank (2005-2007) and a member of the board of directors of Bank of China Limited

Table of Contents

(2006-2008), where he was Chairman of the Audit Committee and a member of the Risk Policy Committee and the Personnel and Remuneration Committee.

Scott Hunter (age 57) was appointed to the Board in March 2006. Mr. Hunter has served as an independent consultant to Bermuda's financial services industry since 2002. From 1986 until 2002, Mr. Hunter was a partner at Arthur Andersen Bermuda, whose clients included numerous insurance and reinsurance companies.

Mark R. Patterson (age 57) was appointed to the Board in March 2006. Since 2002, Mr. Patterson has served as Chairman of MatlinPatterson Asset Management, which manages distressed investment funds. From 1994 until 2002, Mr. Patterson was a Managing Director of Credit Suisse First Boston Corporation, where he served as Vice Chairman from 2000 to 2002. Mr. Patterson had 20 years prior experience in commercial and investment banking at Bankers Trust, Salomon Brothers and Scully Brothers & Foss. Mr. Patterson is currently a member of the board of directors of Broadpoint Securities Group, Inc., Polymer Group, Inc., Flagstar Bancorp, Inc. and Thornburg Mortgage, Inc.

Samuel J. Weinhoff (age 58) was appointed to the Board in July 2006. Mr. Weinhoff has served as a consultant to the insurance industry since 2000. Prior to this, Mr. Weinhoff was head of the Financial Institutions Group for Schroder & Co. from 1997 until 2000. He was also a Managing Director at Lehman Brothers, where he worked from 1985 to 1997. Mr. Weinhoff had ten years prior experience at Home Insurance Company and the Reliance Insurance Company in a variety of positions, including excess casualty reinsurance treaty underwriter, investment department analyst, and head of corporate planning and reporting. Mr. Weinhoff is currently a member of the board of directors of Infinity Property and Casualty Corporation where he is a member of both the Executive Committee and the Audit Committee, and of Inter-Atlantic Financial, Inc. where he is a member of both the Audit Committee and Nominating Committee.

The Board has determined that Messrs. de Saint-Aignan, Duffy, Friedman, Hunter, Patterson and Weinhoff are independent directors under the listing standards of the New York Stock Exchange (the NYSE). The Company requires that a majority of its directors meet the criteria for independence under applicable law and the rules of the NYSE. The Board has adopted a policy to assist it and the Nominating & Corporate Governance Committee in their determination as to whether a nominee or director qualifies as independent. This policy contains categorical standards for determining independence and includes the independence standards required by the SEC and the NYSE as well as standards published by institutional investor groups and other corporate governance experts. In making its determination of independence, the Board applied these standards for director independence and determined that no material relationship existed between the Company and these directors. A copy of the Board Policy on Director Independence is attached as *Appendix A* to this Proxy Statement.

Meetings and Committees of the Board

During the year ended December 31, 2008, there were five meetings of the Board (including regularly scheduled and special meetings). Each of our directors attended at least 75% of the aggregate Board meetings and committee meetings of which he was a member during the period he served on the Board, except for Mr. Patterson. Our non-management directors meet separately from the other directors in an executive session at least quarterly. Mr. Friedman, our Deputy Chairman of the Board and Lead Independent Director, served as the presiding director of the executive sessions of our non-management and independent directors held in 2008. The Deputy Chairman also has the authority to call meetings of the independent directors or full Board.

The Lead Independent Director's responsibilities include:

organizing and presiding over all meetings of the Board at which the Chairman of the Board is not present, including all executive sessions of the non-management and independent directors;

serving as the liaison between the Chairman of the Board and the non-management directors;

overseeing the information sent to the Board by management;

assisting the Chairman of the Board in setting meeting agendas and schedules for the Board to assure that there is sufficient time for discussion of all agenda items;

Table of Contents

facilitating communication between the Board and management;

being available to communicate with and respond to certain inquiries of the Company's shareholders; and

performing such other duties as requested by the Board.

Our Board has established an Audit Committee, a Compensation Committee, an Executive Committee, an Investment Committee and a Nominating & Corporate Governance Committee, each of which reports to the Board. In February 2009, our Board also established an Enterprise Risk Committee. During 2008, the Audit Committee held six meetings, the Compensation Committee held five meetings, the Executive Committee held no meetings, the Investment Committee held four meetings and the Nominating & Corporate Governance Committee held four meetings. The Board has adopted an Audit Committee Charter, a Compensation Committee Charter, an Investment Committee Charter and a Nominating & Corporate Governance Committee Charter. Copies of these charters are available on our website at www.awac.com under "Corporate Governance". Printed copies are also available by sending a written request to the Company's Secretary.

Our Board has also approved Corporate Governance Guidelines, a Code of Business Conduct and Ethics and a Code of Ethics for Chief Executive Officer and Senior Financial Officers. The foregoing information also is available on our website at www.awac.com under "Corporate Governance". Printed copies are also available by sending a written request to the Company's Secretary.

Audit Committee. The Audit Committee presently consists of Messrs. Hunter (Chairman), de Saint-Aignan, Duffy and Weinhoff, each of whom is an independent director. Pursuant to its charter, the Audit Committee is responsible for overseeing our independent auditors, internal auditors, compliance with legal and regulatory standards and the integrity of our financial reporting. Each member of the Audit Committee has been determined by the Board to be financially literate within the meaning of the NYSE Listing Standards and each has been designated by the Board as an audit committee financial expert, as defined by applicable rules of the SEC, based on either his extensive prior accounting and auditing experience or having a range of experience in varying executive positions in the insurance or financial services industry.

Compensation Committee. The Compensation Committee presently consists of Messrs. de Saint-Aignan (Chairman), Friedman, Hunter, Patterson and Weinhoff. During 2008, Mr. Patterson served as Chairman of this committee, and Mr. Weinhoff joined the Compensation Committee in February 2009. The Compensation Committee is comprised entirely of independent directors. Pursuant to its charter, the Compensation Committee has the authority to establish compensation policies and recommend compensation programs to the Board, including administering all stock option plans and incentive compensation plans of the Company. Pursuant to its charter, the Compensation Committee also has the authority to review the competitiveness of the non-management directors' compensation programs and approve these compensation programs and all payouts made thereunder. Additional information on the Compensation Committee's consideration of executive compensation, including a discussion of the roles of the Company's Chief Executive Officer and the independent compensation consultant in such executive compensation consideration, is included in "Executive Compensation" Compensation Discussion and Analysis.

Executive Committee. The Executive Committee presently consists of Messrs. Carmilani (Chairman), Duffy and Weinhoff. The Executive Committee has the authority to oversee the general business and affairs of the Company to the extent permitted by Bermuda law.

Investment Committee. The Investment Committee presently consists of Messrs. Patterson (Chairman), Hunter and Weinhoff. The Investment Committee is comprised entirely of independent directors. Pursuant to its charter, the

Investment Committee is responsible for establishing investment guidelines and supervising our investment activity.

Nominating & Corporate Governance Committee. The Nominating & Corporate Governance Committee presently consists of Messrs. Friedman (Chairman), Duffy and Hunter. The Nominating & Corporate Governance Committee is comprised entirely of independent directors. Pursuant to its charter, the Nominating & Corporate Governance Committee is responsible for identifying individuals believed to be qualified to become directors and to recommend such individuals to the Board and to set compliance policies and corporate governance standards.

Table of Contents

The Nominating & Corporate Governance Committee will consider nominees recommended by shareholders and will evaluate such nominees on the same basis as all other nominees. Shareholders who wish to submit nominees for director for consideration by the Nominating & Corporate Governance Committee for election at the Annual General Meeting in 2010 may do so by submitting in writing such nominees' names and other information required under Bye-law 34(2) of the Company's Bye-laws, in compliance with the procedures described under Shareholder Proposals for 2010 Annual General Meeting in this Proxy Statement.

The criteria adopted by the Board for use in evaluating the suitability of all nominees for director include the following:

high personal and professional ethics, values and integrity;

education, skill and experience with insurance, reinsurance or other businesses and organizations that the Board deems relevant and useful;

ability and willingness to serve on any committees of the Board; and

ability and willingness to commit adequate time to the proper functioning of the Board and its committees.

In addition to considering candidates suggested by shareholders, the Nominating & Corporate Governance Committee considers candidates recommended by current directors, officers and others. The Nominating & Corporate Governance Committee screens all director candidates and generally reviews written materials with respect to the candidate. The Nominating & Corporate Governance Committee determines whether or not the candidate meets the Company's general qualifications and specific qualities for directors and whether or not additional information is appropriate.

Enterprise Risk Committee. In February 2009, the Board established an Enterprise Risk Committee to oversee the management of the Company's enterprise risks. The Enterprise Risk Committee consists of Messrs. Duffy (Chairman), de Saint-Aignan and Hunter. This committee does not currently have a charter.

Director Compensation

The following table provides information concerning the compensation of the Company's non-management directors for fiscal year 2008.

Non-Management Directors Compensation

Name	Fees Earned or Paid in Cash	Stock Awards(2)	All Other Compensation	Total(4)
Patrick de Saint-Aignan ⁽¹⁾	\$ 22,125	\$	\$	\$ 22,125
James F. Duffy	\$ 87,500	\$ 117,528	\$	\$ 205,028
Bart Friedman	\$ 99,000	\$ 72,894	\$	\$ 171,894
Scott Hunter	\$ 116,000	\$ 72,894	\$	\$ 188,894
Mark R. Patterson	\$ 84,500	\$ 72,894	\$	\$ 157,394
Samuel J. Weinhoff	\$ 87,500	\$ 117,528	\$	\$ 205,028

Michael I.D. Morrison	\$ 62,500	\$ 89,576	\$ 152,423 ⁽³⁾	\$ 304,499
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- (1) Mr. de Saint-Aignan was appointed to the Board on August 20, 2008.
- (2) As of December 31, 2008, our non-management directors held an aggregate of 14,230 restricted stock units (RSUs) under the Allied World Assurance Company Holdings, Ltd Second Amended and Restated 2004 Stock Incentive Plan (the Stock Incentive Plan), as follows: Mr. de Saint-Aignan holds no RSUs; Mr. Duffy holds an aggregate of 2,458 RSUs; Mr. Friedman holds an aggregate of 2,604 RSUs; Mr. Hunter holds an aggregate of 2,604 RSUs; Mr. Patterson holds an aggregate of 2,604 RSUs; Mr. Weinhoff holds an aggregate of 2,458 RSUs; and Mr. Morrison holds an aggregate of 1,502 RSUs. Mr. Morrison also holds an aggregate of 116,667 stock options that were granted to him in 2001 and 2003 during the time he served as an executive

Table of Contents

officer of the Company. As part of their director compensation arrangement, on February 28, 2008, Messrs. Duffy, Friedman, Hunter, Morrison, Patterson and Weinhoff each received 1,502 RSUs. The grant date fair value of each of these RSUs was \$43.27 per RSU based on the closing price of the Common Shares on the NYSE on such date, for a total fair value of approximately \$65,000 per individual grant. The total stock award compensation expense recorded in this table represents the accounting expense recognized in the consolidated financial statements of the Company in accordance with the Statement of Financial Accounting Standards No. 123(R) Share Based Payment (FAS 123(R)) and does not correspond to the actual value that may be recognized by each director. For additional information on the calculation of the compensation expense, please refer to note 12(b) of the Company's consolidated financial statements contained in the Form 10-K for the year ended December 31, 2008, as filed with the SEC.

- (3) In October 2004, we entered into a consulting agreement with Mr. Morrison pursuant to which he received \$150,000 annually. For the first quarter of 2008, we also paid health benefits on behalf of Mr. Morrison and his wife.
- (4) In 2008, our non-management directors did not receive any non-equity incentive plan compensation. In addition, in 2008, we did not have any pension or deferred compensation plans for our non-management directors. Accordingly, these columns are not included in the Non-Management Directors Compensation table above.

In 2008, our non-management directors have been paid the following aggregate fees for serving as directors of both the Company and Allied World Assurance Company, Ltd:

\$55,000 annually for serving as a director; and

\$1,500 per meeting attended by a director as discussed below.

In addition, our Lead Independent Director receives an annual retainer of \$15,000. We also provide to all non-management directors reimbursement of expenses incurred in connection with their service on the Board, including the reimbursement of director educational expenses.

Each non-management director receives an annual equity award of RSUs of the Company worth approximately \$65,000. Each RSU represents the right to receive one newly-issued, fully paid and non-assessable Common Share of the Company at a future date and fully vests on the first anniversary of the date of grant, subject to continued service as a director through such date. Other than with respect to vesting terms, the RSUs are awarded to our non-management directors pursuant to the Stock Incentive Plan and are granted on similar terms and conditions as those granted to our employees generally. In 2009, these annual equity awards were granted concurrently with the grant of equity awards to members of our senior management following the preparation and completion of the 2008 year-end financial statements. Accordingly, on February 26, 2009, each of our non-management directors received 1,665 RSUs.

Committee Fees and Additional Retainers

An attendance fee of \$1,500 is paid to each non-management director committee member for attendance at committee meetings thereof. Committee meetings of the Company and Allied World Assurance Company, Ltd held on the same day are considered one meeting for the purpose of calculating attendance fees.

The chairman of a committee of the Board also serves as the chairman of the same committee of the board of directors of Allied World Assurance Company, Ltd, and receives one retainer, paid annually, for such service in addition to the base retainer for serving as a director. For 2008, the Chairman of the Audit Committee of both the Company and

Allied World Assurance Company, Ltd received an additional annual retainer of \$25,000, and each other Audit Committee member received an additional annual retainer of \$10,000. In February 2009, the Compensation Committee increased these annual retainers to \$35,000 and \$15,000, respectively. All other committee chairmen of both the Company and Allied World Assurance Company, Ltd receive an additional annual retainer of \$8,000.

Table of Contents

Stock Ownership Policy

In order to promote equity ownership and further align the interests of the Board with our shareholders, the Board adopted a stock ownership policy for all non-management directors. Under this policy, non-management directors are expected to own, within five years after his joining the Board, equity interests of the Company with a value equal to five times the then-current annual cash retainer for serving on the Board. Non-management directors are expected not to sell any Common Shares until they are in compliance with this policy. Mr. Carmilani, our President, Chief Executive Officer and Chairman of the Board, is subject to a stock ownership policy for senior employees as described in Executive Compensation Compensation Discussion and Analysis Stock Ownership Policy.

**APPROVAL OF ELIGIBLE SUBSIDIARY DIRECTORS
(Item B on Proxy Card)**

In accordance with our Bye-Laws, no person may be elected as a director of any of the Company's non-U.S. insurance subsidiaries (excluding Allied World Assurance Company, Ltd) unless such person has been approved by the Company's shareholders (Eligible Subsidiary Directors). The individuals identified below have been nominated to serve as Eligible Subsidiary Directors for certain of our non-U.S. insurance subsidiaries.

Your Board unanimously recommends a vote FOR each slate of nominees listed as Eligible Subsidiary Directors on the enclosed proxy card. It is not expected that any of the nominees will become unavailable for approval as an Eligible Subsidiary Director but, if any nominee should become unavailable prior to the meeting, proxies will be voted for such persons as your Board shall recommend.

Allied World Assurance Company (Europe) Limited

J. Michael Baldwin
Scott A. Carmilani
John Clifford
Hugh Governey
John T. Redmond

Allied World Assurance Company (Reinsurance) Limited

J. Michael Baldwin
Scott A. Carmilani
John Clifford
Hugh Governey
John T. Redmond

J. Michael Baldwin (age 67) has served as director of both Allied World Assurance Company (Europe) Limited and Allied World Assurance Company (Reinsurance) Limited since September 2002 and July 2003, respectively. Mr. Baldwin served as Managing Director of Allied World Assurance Company (Europe) Limited and Allied World Assurance Company (Reinsurance) Limited from November 2001 through July 2006. Mr. Baldwin worked for The Chubb Corporation (Chubb) for almost 30 years, starting in 1972. From 1997 to November 2001, Mr. Baldwin worked for Chubb's European Commercial Insurance Division in London and was elected Senior Vice President of Chubb Insurance Company of Europe in 1998. From 1991 to 1997, Mr. Baldwin was the Zone Underwriting Officer for Latin America and was elected Vice President in 1996. From 1988 to 1991, Mr. Baldwin managed Chubb's operations in Italy and from 1984 to 1988, he worked at Chubb U.S. as Home Foreign Manager and Underwriting Officer for Asia/Pacific. Prior to that, Mr. Baldwin held various underwriting and managerial positions at Chubb in

Latin America. From 1962 to 1972, Mr. Baldwin worked for Royal Insurance in both the United Kingdom and Venezuela.

Scott A. Carmilani. Please see Mr. Carmilani's biography under "Election of Directors" elsewhere in this Proxy Statement.

Table of Contents

John Clifford (age 59) has been a non-executive director of Allied World Assurance Company (Europe) Limited since November 2006 and a non-executive director of Allied World Assurance Company (Reinsurance) Limited since July 2004. From 1967 to date, Mr. Clifford has held various positions at the Bank of Ireland, including Group Secretary since 2003 to present; General Manager, Group Chief Executive Officer's Office, from 2000 to 2003; Executive Director GB (London Based), responsible for the Bank's commercial banking activities in Britain, from 1990 to 1999; General Manager, Group Credit Control, from 1987 to 1989; Group Chief Internal Auditor from 1985 to 1987; and Assistant General Manager Banking from 1983 to 1985. Mr. Clifford is a non-executive director of Irish Clearing House Ltd and a number of subsidiary companies within the Bank of Ireland Group. He is a fellow of the Institute of Bankers and a member of the Institute of Directors.

Hugh Governey (age 66) has been a non-executive director of both Allied World Assurance Company (Europe) Limited and Allied World Assurance Company (Reinsurance) Limited since November 2006. Mr. Governey served as a non-executive director of Coyle Hamilton Willis Holdings, Ltd., a subsidiary of Willis Group Holdings Ltd., a NYSE-traded company, from August 2005 through December 2007, when he retired. From 2004 to 2005, Mr. Governey was the Chief Executive Officer of Coyle Hamilton Willis Holdings Ltd. From 2000 to 2004, Mr. Governey was the Chief Executive Officer of Coyle Hamilton Holdings Ltd. Prior to that, from 1981 to 2000, he was the Managing Director of Coyle Hamilton Corporate Broking, and from 1970 to 1981, was a Director of Coyle Hamilton Phillips Ltd. From 1965 to 1970, he worked for V.P. Phillips & Co. Ltd. Insurance Brokers (then a part of C.E. Heath) and from 1960 to 1965, he worked for the Royal Exchange Assurance Dublin (now part of the AXA Group). From May 2005 to June 2006, Mr. Governey served as the President of the Bureau International des Producteurs d'Assurances et de Réassurances (BIPAR), the European Federation of Insurance Intermediaries, which represents the public affairs interests of insurance intermediaries with European institutions. He was Vice President of BIPAR and Chairman of its EU Executive Committee from 1997 to 1998 and was elected Honorary Vice President in 1999. Mr. Governey served as the President of the Dublin Chamber of Commerce from 1999 to 2000; as a member of the board of the Council of Insurance Agents & Brokers (U.S.) from 1998 to 2004; as Vice President of The Chartered Insurance Institute (U.K.) from 1997 to 1998; and as President of the Irish Brokers Association and the Insurance Institute of Dublin from 1994 to 1995 and 1989 to 1990, respectively.

John T. Redmond (age 53) has served as director of both Allied World Assurance Company (Europe) Limited and Allied World Assurance Company (Reinsurance) Limited since September 2002 and July 2003, respectively. Mr. Redmond joined us in July 2002 and is the President of Allied World Assurance Company (Europe) Limited and Allied World Assurance Company (Reinsurance) Limited. Prior to joining our Company, Mr. Redmond held various positions with Chubb, and served as a Senior Vice President of Chubb from 1993 until July 2002.

**APPROVAL OF THE THIRD AMENDED AND RESTATED BYE-LAWS
OF ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
(Item C on Proxy Card)**

At the Annual General Meeting, the Company's shareholders will be asked to approve and adopt the Company's Third Amended and Restated Bye-Laws. Pursuant to Section 13(5) of the Companies Act 1981 of Bermuda, as amended (the Companies Act), and bye-law 89 of the Company's current Bye-Laws, any amendment to the Company's Bye-Laws must receive shareholder approval. The Board unanimously approved and adopted the Company's Third Amended and Restated Bye-Laws on February 26, 2009. The Third Amended and Restated Bye-Laws will become effective upon the approval of the Company's shareholders.

Your Board unanimously recommends a vote FOR the approval and adoption of the Third Amended and Restated Bye-Laws of Allied World Assurance Company Holdings, Ltd.

The following summary of the proposed changes to the Company's current Bye-laws is qualified in its entirety by express reference to the text of the Third Amended and Restated Bye-Laws, a copy of which has been marked to show the changes from the Company's current Bye-Laws and is attached as *Appendix B* to this Proxy Statement.

Table of Contents

Proposed Changes

Treasury Shares

In 2006, a comprehensive review of the Companies Act was undertaken by the Legislative Change Committee of the Bermuda International Business Association, in collaboration with the Bermuda Ministry of Finance, with a view to modernizing the Companies Act to take into account various company law reform initiatives that have taken place in the United Kingdom and elsewhere. Following this review, a bill entitled the Companies Amendment Act 2006 (the Amendment Act) was enacted on December 29, 2006.

The Amendment Act includes a provision that allows Bermuda companies, if permitted by their memorandum of association or bye-laws, to hold their own acquired shares as treasury shares in lieu of cancellation. Treasury shares generally represent shares that were issued to shareholders but which have since been reacquired by the issuing company and are available for retirement or later reissuance. All rights attaching to treasury shares, such as voting and dividend rights, are suspended and cannot be exercised by the Company while it holds such treasury shares. Under the Amendment Act, companies continue to be able to purchase their own shares for cancellation so long as their constitutional documents permit it. Our Bye-Laws currently permit us to purchase our Common Shares for cancellation, but do not permit us to hold the purchased shares in treasury. The Board believes that having the ability to hold reacquired Common Shares in treasury affords us valuable corporate financial flexibility under various circumstances, and is in our best interest and in the best interests of our shareholders. Consequently, the proposed Third Amended and Restated Bye-Laws add a definition of Treasury Share and reflect other related bye-law modifications and conforming changes that would permit us either to cancel Common Shares purchased by us or hold them in treasury, in either case as determined by the Board and in accordance with the Companies Act. Furthermore, the proposed Third Amended and Restated Bye-Laws include a new bye-law 50(2) which clarifies that all rights attaching to treasury shares held by us will be suspended and may not be exercised by us while held in treasury. It also clarifies that treasury shares held by us will be excluded from the calculation of any percentage or fraction of share capital, or the number of shares, of the Company as required by the Companies Act and for the purposes of the calculation of the quorum and majority vote required to approve an amalgamation.