

Allied World Assurance Co Holdings, AG
Form PRE 14A
March 05, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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 §240.14a-12

Allied World Assurance Company Holdings, AG

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

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(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):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

Lindenstrasse 8

6340 Baar

Zug, Switzerland

NOTICE OF 2012 ANNUAL SHAREHOLDER MEETING

TO BE HELD ON MAY 3, 2012

March [], 2012

To Our Shareholders:

The 2012 Annual General Meeting (the Annual Shareholder Meeting) of Allied World Assurance Company Holdings, AG (the Company) will be held at 2:00 p.m., local time, on Thursday, May 3, 2012 at the Company's corporate headquarters, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, for the following purposes:

To elect three Class II directors to hold office until the Company's Annual Shareholder Meeting in 2015;

To approve, on an advisory basis, executive compensation;

To approve the Company's 2012 Omnibus Incentive Compensation Plan;

To approve a new \$500 million share repurchase program;

To approve the reclassification of free reserves to general legal reserve from capital contributions on the balance sheet of the Company's audited statutory financial statements for the year ended December 31, 2011;

To approve the Company's Annual Report and financial statements for the year ended December 31, 2011;

To approve the Company's retention of disposable profits;

To approve an amendment to the Articles of Association to reduce the Company's share capital and participation capital through the cancellation of a portion of voting shares and non-voting shares held in treasury;

To approve an amendment to the Articles of Association to eliminate the conditional share capital relating to certain shareholder warrants;

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To approve an amendment to the Articles of Association that will extend the Board's ability to issue authorized share capital until May 3, 2014;

To approve the payment of dividends to the Company's shareholders in the form of a par value reduction;

To elect Deloitte & Touche Ltd. as the Company's independent auditor and Deloitte AG as its statutory auditor to serve until the Company's Annual Shareholder Meeting in 2013;

To elect PricewaterhouseCoopers AG as the Company's special auditor to serve until the Company's Annual Shareholder Meeting in 2013;

To approve a discharge of the Company's Board of Directors and executive officers from liabilities for their actions during the year ended December 31, 2011; 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 7, 2012 are entitled to vote at the Annual Shareholder Meeting.

Please promptly sign, date and return the enclosed proxy card in the return envelope furnished for that purpose 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
Corporate Secretary

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

Lindenstrasse 8

6340 Baar

Zug, Switzerland

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, AG (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 2012 Annual General Meeting of the Company's shareholders to be held at 2:00 p.m., local time, on Thursday, May 3, 2012 at the Company's corporate headquarters, Lindenstrasse 8, 6340 Baar, Zug, Switzerland (the "Annual Shareholder Meeting"). This Proxy Statement summarizes the information you need to know to vote at the Annual Shareholder Meeting.

When the enclosed proxy card is properly executed and returned, the Company's registered voting shares (the "Common Shares") it represents will be voted, subject to any direction to the contrary, at the Annual Shareholder Meeting **FOR** the matters specified in the Notice of Annual Shareholder Meeting attached hereto and described more fully herein.

This Proxy Statement, the attached Notice of Annual Shareholder Meeting and the enclosed proxy card are being first mailed to shareholders on or about March [], 2012. A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2011 accompanies this Proxy Statement. The Annual Report contains the Company's audited consolidated financial statements and its audited Swiss statutory financial statements prepared in accordance with Swiss law for the year ended December 31, 2011 as well as additional disclosures required under Swiss law. Although the Annual Report and this Proxy Statement are being mailed together, the Annual Report is not part of this Proxy Statement.

Except as the context otherwise requires, references in this Proxy Statement to we, us and our refer to the Company and its direct and indirect subsidiaries on a consolidated basis. Also, in this Proxy Statement, \$ and USD refer to U.S. dollars, CHF refers to Swiss francs and local time means the time in Switzerland.

Q: Who is entitled to vote?

A: The Board has set March 7, 2012, as the record date for the Annual Shareholder Meeting (the "Record Date"). Holders of the Company's voting shares (the "Voting Shares") as of the close of business on the Record Date will be entitled to vote at the Annual Shareholder Meeting.

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Holders of non-voting shares of the Company (the Non-Voting Shares) will receive this Proxy Statement but are not entitled to participate in or vote at the Annual Shareholder Meeting. As of March 7, 2012, there were outstanding [] Voting Shares and [29,240] Non-Voting Shares.

Beneficial owners of Voting Shares and shareholders registered in our share register with Voting Shares at the close of business on the Record Date are entitled to vote at the Annual Shareholder Meeting, except as provided below. If you ask to be registered as a shareholder of record with respect to your Voting Shares in our share register and become a shareholder of record for those shares (as opposed to a beneficial holder of shares held in street name) after the Record Date, but on or before April 16, 2012, and want to vote those shares at the Annual Shareholder Meeting, you will need for identification purposes to obtain a proxy from the registered voting rights record holder of those shares as of the Record Date of the Annual Shareholder Meeting to vote your shares in person at the Annual Shareholder Meeting. Alternatively, you may also

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obtain the proxy materials by contacting the Corporate Secretary, attention: Wesley D. Dupont, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at secretary@awac.com. If you are a record holder of our Voting Shares (as opposed to a beneficial holder of shares held in street name) on the Record Date but sell your Voting Shares prior to April 16, 2012 you will not be entitled to vote those shares at the Annual Shareholder Meeting.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Most of our shareholders hold their shares through a bank, brokerage firm or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

Shareholder of Record

If your Voting Shares are registered directly in your name, as registered shares entitled to voting rights, in our share register operated by our transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly by us. As the shareholder of record, you have the right to grant your voting proxy directly to the Company officers named in the proxy card or to the independent proxy (see [How do I appoint and vote via an independent proxy if I am a shareholder of record?](#) below) mentioned in the proxy card, or to grant a written proxy to any person who does not need to be a shareholder or to vote in person at the Annual Shareholder Meeting.

Beneficial Owner

If your Voting Shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee on how to vote your Voting Shares and are also invited to attend the Annual Shareholder Meeting. However, since you are not the shareholder of record, you may only vote these Voting Shares in person at the Annual Shareholder Meeting if you follow the instructions described below under the heading [How do I vote?](#) Your bank, brokerage firm or other nominee has enclosed a voting instruction card for you to use in directing your bank, broker or other nominee as to how to vote your Voting Shares, which may contain instructions for voting by telephone or electronically.

Q: What will I be voting on?

A: You are voting on 14 items (collectively, the proposals):

1. To elect three Class II directors to hold office until the Company's Annual Shareholder Meeting in 2015 (Proposal 1 on the Proxy Card);
2. To approve, on an advisory basis, executive compensation (Proposal 2 on the Proxy Card);
3. To approve the Company's 2012 Omnibus Incentive Compensation Plan (the 2012 Omnibus Plan) (Proposal 3 on the Proxy Card);
4. To approve a new \$500 million share repurchase program (Proposal 4 on the Proxy Card);
- 5.

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To approve the reclassification of free reserves to general legal reserve from capital contributions on the balance sheet of the Company's audited statutory financial statements for the year ended December 31, 2011 (Proposal 5 on the Proxy Card);

6. To approve the Company's Annual Report and financial statements for the year ended December 31, 2011 (Proposal 6 on the Proxy Card);
7. To approve the Company's retention of disposable profits (Proposal 7 on the Proxy Card);
8. To approve an amendment to the Articles of Association to reduce the Company's share capital and participation capital through the cancellation of a portion of the Voting Shares and Non-Voting Shares held in treasury (Proposal 8 on the Proxy Card);

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9. To approve an amendment to the Articles of Association to eliminate the conditional share capital relating to certain shareholder warrants (Proposal 9 on the Proxy Card);
 10. To approve an amendment to the Articles of Association that will extend the Board's ability to issue authorized share capital until May 3, 2014 (Proposal 10 on the Proxy Card);
 11. To approve the payment of dividends to the Company's shareholders in the form of a par value reduction (the Dividend) (Proposal 11 on the Proxy Card);
 12. To elect Deloitte & Touche Ltd. as the Company's independent auditor and Deloitte AG as its statutory auditor to serve until the Company's Annual Shareholder Meeting in 2013 (Proposal 12 on the Proxy Card);
 13. To elect PricewaterhouseCoopers AG as the Company's special auditor to serve until the Company's Annual Shareholder Meeting in 2013 (Proposal 13 on the Proxy Card); and
 14. To approve a discharge of the Company's Board and executive officers from liabilities for their actions during the year ended December 31, 2011 (Proposal 14 on the Proxy Card).
- You may also vote on any other business that properly comes before the meeting.

Q: What are the voting recommendations of the Board?

A: Your Board unanimously recommends that you vote **FOR** each of the proposals listed above.

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 Shareholder Meeting, unless you own Controlled Shares that constituted 10% or more of the issued Common Shares, in which case your voting rights with respect to those Controlled Shares will be limited, in the aggregate, to a voting power of approximately 10% pursuant to a formula specified in Article 14 of our Articles of Association. Our Articles of Association define Controlled Shares generally to include all shares of the Company directly, indirectly or constructively owned or beneficially owned by any person or group of persons.

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 of record in the Company's share register maintained by its 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. You may also vote your Voting Shares in person at the Annual Shareholder 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

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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 Shareholder 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.

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Q: Who will count the vote?

A: A representative from Baker & McKenzie Zurich, a law firm, will act as the inspector of elections and will be responsible for tabulating the votes cast by proxy (which will have been certified by our independent transfer agent) or in person at the Annual Shareholder Meeting. Under Swiss law, the Company is responsible for determining whether or not a quorum is present and the final voting results.

Q: What does it mean if I receive more than one set of the Proxy Statement and proxy card?

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

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 Shareholder Meeting in accordance with the Board's recommendation for each proposal, and, as to any other business as may properly come before the Annual Shareholder Meeting, in accordance with the proxyholder's judgment as to such business.

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

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

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

A: A vote will be taken on all matters properly brought before the Annual Shareholder Meeting. 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.

Q: What vote is required to approve each proposal?

Except as noted below, all of the proposals require an affirmative **FOR** vote by a majority of the votes cast at the Annual Shareholder Meeting. The proposal related to the approval of an amendment to Article 6 of our Articles of Association (Proposal 10 on the Proxy Card) requires the affirmative vote of at least 66 2/3% of the votes represented at the Annual Shareholder Meeting. The advisory vote to approve executive compensation (Proposal 2 on the Proxy Card) shall take place but is not binding on the Board or the Company.

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

A: Abstentions will be counted toward the presence of a quorum at the Annual Shareholder Meeting. Broker non-votes will be counted toward the presence of a quorum at the Annual Shareholder Meeting, except for the proposal related to the approval of the 2012 Omnibus Plan, where broker non-votes will not be counted toward the presence of a quorum under the rules of the New York Stock Exchange (NYSE).

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Except as noted below, abstentions will not be considered votes cast on any of the proposals brought before the Annual Shareholder Meeting. For the proposals related to the approval of the 2012 Omnibus Plan and the approval of an amendment to Article 6 of our Articles of Association, abstentions will be considered votes represented at the meeting and will thus have the same effect as votes against these proposals. While broker non-votes will be counted toward the presence of a quorum, they will not be counted as votes cast either for or against a proposal.

Broker non-votes are shares held by banks or brokers for which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and for which the bank or broker does not have discretionary voting power under rules applicable to broker-dealers. If you own shares through a bank or brokerage firm and you do not instruct your bank or broker how to vote, your bank or broker will nevertheless have discretion to vote your shares on routine matters, such as the election of Deloitte & Touche Ltd., the Company's independent auditors. More importantly, without instructions from you, your

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bank or broker will not have discretion to vote on non-routine matters, such as the election of directors, the non-binding advisory vote to approve executive compensation, the payment of the Dividend to the Company's shareholders, the approval of the 2012 Omnibus Plan, the approval of the new \$500 million share repurchase plan and any shareholder proposals.

Q: How do I appoint and vote via an independent proxy if I am a shareholder of record?

A: If you are a shareholder of record as of the Record Date, under Swiss law you may authorize the independent proxy, Mr. Paul Buergi, of Buis Buergi AG, Muehlebachstrasse 7, P.O. Box 672, CH-8024 Zurich, Switzerland, with full rights of substitution, to vote your Common Shares on your behalf instead of using the enclosed proxy card. If you authorize the independent proxy to vote your shares without giving instructions (or without giving clear instructions), your shares will be voted in accordance with the recommendations of the Board with regard to the items listed in the notice of meeting. If new agenda items (other than those in the notice of meeting) or new proposals or motions with respect to those agenda items set forth in the notice of meeting are being put forth before the Annual Shareholder Meeting, the independent proxy will, in the absence of other specific instructions, vote in accordance with the recommendations of the Board. A form of proxy card that may be used by the independent proxy to vote your Common Shares is attached to this Proxy Statement as *Appendix A*. Proxy cards authorizing the independent proxy to vote your shares must be sent directly to the independent proxy, arriving no later than noon, local time, on April 26, 2012.

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. You may change your vote by:

Providing the Corporate Secretary with written notice of revocation, by voting in person at the Annual Shareholder Meeting or by executing 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;

If you have granted your proxy to the independent proxy, by providing Mr. Paul Buergi with written notice of revocation, by voting in person at the Annual Shareholder Meeting or by executing a later-dated independent proxy card. Revocation of, or changes to, proxies issued to the independent proxy must be received by the independent proxy by noon, local time, on April 26, 2012; or

If you own shares through a bank or brokerage firm, obtaining a proxy from your bank or broker giving you the right to vote your Voting Shares at the Annual Shareholder Meeting.

Attendance at the Annual Shareholder 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 Shareholder Meeting will revoke your proxy.

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

A: At the Annual Shareholder 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, 2011.

Q: Who pays the costs of soliciting proxies?

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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. We may retain a proxy solicitor to assist in the solicitation of proxies, for which the Company would pay usual and customary fees.

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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, 2011, filed with the U.S. Securities and Exchange Commission (SEC). A copy of such report may be obtained upon written request to the Corporate Secretary, attention Wesley D. Dupont, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug Switzerland, or via e-mail at secretary@awac.com. Each such request must include a representation that, as of March 7, 2012, the person making the request was a beneficial owner of Common Shares entitled to vote at the Annual Shareholder 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.

Organizational Matters Required by Swiss Law

Admission to the Annual Shareholder Meeting

Shareholders who are registered in the Company's share register on the Record Date will receive the Proxy Statement and proxy card from Continental Stock Transfer & Trust Company, our transfer agent. Beneficial owners of shares will receive instructions from their bank, brokerage firm or other nominee acting as shareholder of record to indicate how they wish their shares to be voted. Beneficial owners who wish to vote in person at the Annual Shareholder Meeting are requested to obtain a power of attorney from their bank, brokerage firm or other nominee that authorizes them to vote the shares held by them on their behalf. In addition, you must bring to the Annual Shareholder Meeting an account statement or letter from your bank, brokerage firm or other nominee indicating that you are the owner of the Common Shares. Shareholders of record registered in the Company's share register are entitled to participate in and vote at the Annual Shareholder Meeting. Each share is entitled to one vote. The exercise of voting rights is subject to the voting restrictions set out in the Company's Articles of Association, a summary of which is contained in "How many votes do I have?" Please see the questions and answers provided under "General Meeting Information" for further information.

Granting a Proxy

If you are a shareholder of record and do not wish to attend the Annual Shareholder Meeting, you have the right to grant a proxy directly to the Company officers named in the proxy card. In addition, under Swiss corporate law you can: (i) appoint Mr. Paul Buergi, of Buis Buergi AG, Muehlebachstrasse 7, P.O. Box 672, CH-8024 Zurich, Switzerland, as independent proxy, with full rights of substitution, with the corresponding proxy card; or (ii) grant a written proxy to any person who is not a shareholder. Please see "How do I vote?" and "How do I appoint and vote via an independent proxy if I am a shareholder of record?" elsewhere in the Proxy Statement for more information on appointing an independent proxy. Proxies issued to the independent proxy must be received no later than noon, local time, on April 26, 2012.

Registered shareholders who have appointed a Company officer or the independent proxy as a proxy may not vote in person at the Annual Shareholder Meeting or send a proxy of their choice to the meeting, unless they revoke or change their proxies. Revocations to the independent proxy must be received by him by no later than noon, local time, on April 26, 2012.

With regard to the items listed on the agenda and without any explicit instructions to the contrary, the Company officer acting as proxy and the independent proxy will vote according to the recommendations of the Board. If new agenda items (other than those on the agenda) or new proposals or motions regarding agenda items set out in the invitation to the Annual Shareholder Meeting are being put forth before the meeting, the Company officer acting as proxy and the independent proxy will vote in accordance with the position of the Board in the absence of other specific instructions.

Beneficial owners who have not obtained a power of attorney from their bank, brokerage firm or other nominee are not entitled to participate in or vote at the Annual Shareholder Meeting.

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Proxy Holders of Deposited Shares

Proxy holders of deposited shares in accordance with Swiss corporate law are kindly asked to inform the Company of the number of shares they represent as soon as possible, but prior to the date of the Annual Shareholder Meeting, at the Company's corporate headquarters.

Admission office

The admission office opens on the day of the Annual Shareholder Meeting at 1:30 p.m. local time. Shareholders of record attending the meeting are kindly asked to present their proxy card as proof of admission at the entrance.

Par Value Amounts

At the time of the mailing of this Proxy Statement, the par value of the Voting Shares and Non-Voting Shares is CHF 14.03. At the 2011 Annual Shareholder Meeting, our shareholders approved a dividend in the form of a distribution to shareholders through a par value reduction, with such cash dividends to be paid in four installments, the last of which is scheduled for April 2012. Accordingly, after the mailing date of this Proxy Statement and prior to the Annual Shareholder Meeting, the par value of the Voting Shares and Non-Voting Shares will be reduced by approximately CHF 0.32, subject to adjustment based on the USD/CHF currency exchange ratio published in The Wall Street Journal on March 19, 2012. Throughout this Proxy Statement, we assume CHF 13.71 as the prospective par value of the Voting Shares and Non-Voting Shares and we calculate our share capital and participation capital based on this amount. For proposals that require a capital reduction (see Proposals 8, 10 and 11), the actual par value per share and our share capital and participation capital amounts as of the date of the Annual Shareholder Meeting will be used for any filings we need to make with the Commercial Register in the Canton of Zug in order to effectuate such proposals.

Annual Report of Allied World Assurance Company Holdings, AG

The Company's 2011 Annual Report, which accompanies this Proxy Statement, contains the Company's audited consolidated financial statements and its audited statutory financial statements prepared in accordance with Swiss law and can be accessed through the Company's website at www.awac.com under the "Financial Report" link located in the section entitled "Investor Relations." Copies of the 2011 Annual Report may be obtained without charge upon written request to the Corporate Secretary, attention Wesley D. Dupont, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at secretary@awac.com. The 2011 Annual Report may be physically inspected at the Company's headquarters at Lindenstrasse 8, 6340 Baar, Zug, Switzerland.

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ELECTION OF DIRECTORS

(Proposal 1 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 Shareholder Meeting to serve as Class II Directors until the Annual Shareholder Meeting in 2015. Each of the nominees is a current member of the Board, and was 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, Scott A. Carmilani, James F. Duffy and Bart Friedman, as 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 biography of each nominee and each continuing director below contains information regarding the person's service as a director on the Board, his or her business experience, director positions at other companies held currently or at any time during the last five years, and their applicable experiences, qualifications, attributes and skills.

The following are the nominees for election at the Annual Shareholder Meeting:

Scott A. Carmilani (age 47) 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. The Board believes that, among other qualifications, Mr. Carmilani's extensive expertise and experience in the insurance and reinsurance industry give him the skills to serve as a director.

James F. Duffy (age 68) 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. The Board believes that, among other qualifications, Mr. Duffy's extensive expertise and experience in the insurance and reinsurance industry give him the skills to serve as a director.

Bart Friedman (age 67) was appointed to the Board in March 2006, was elected Vice 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 chairman of the Nominating and Governance Committee. He is also the chairman of the Public Responsibility and Ethics Committee of The Brookings Institution and is a member of the board of directors of the Lincoln Center for the Performing Arts, where he is chairman of the Audit Committee. The Board believes that, among other qualifications, Mr. Friedman's extensive expertise and experience in corporate finance and corporate governance matters give him the skills to serve as a director.

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The following individuals are the Company's continuing directors:

Name	Position	Term Expires
Barbara T. Alexander	Class III Director	2013
Scott Hunter	Class III Director	2013
Patrick de Saint-Aignan	Class III Director	2013
Mark R. Patterson	Class I Director	2014
Samuel J. Weinhoff	Class I Director	2014

Barbara T. Alexander (age 63) was appointed to the Board in August 2009. Ms. Alexander has been an independent consultant since January 2004. Prior to that, she was a Senior Advisor to UBS Warburg LLC and predecessor firms from October 1999 to January 2004, and Managing Director of the North American Construction and Furnishings Group in the Corporate Finance Department of UBS from 1992 to October 1999. From 1987 to 1992, Ms. Alexander was a Managing Director in the Corporate Finance Department of Salomon Brothers Inc. From 1972 to 1987, she held various positions at Salomon Brothers, Smith Barney, Investors Diversified Services, and Wachovia Bank and Trust Company. Ms. Alexander is currently a member of the Board of Directors of QUALCOMM Incorporated, where she is a member of both the Audit Committee and Compensation Committee, KB Home, where she is a member of the Audit and Compliance Committee, and Choice Hotels International, Inc., where she is a member of the Audit Committee. Ms. Alexander previously served on the board of directors of Federal Home Loan Mortgage Corporation (Freddie Mac) from November 2004 to March 2010, Centex Corporation from July 1999 to August 2009, Burlington Resources Inc. from January 2004 to March 2006 and Harrah's Entertainment Inc. from February 2002 to April 2007. Ms. Alexander was selected as one of seven Outstanding Directors in Corporate America in 2003 by Board Alert magazine and was one of five Director of the Year honorees in 2008 by the Forum for Corporate Directors. She has also served on the board of directors of HomeAid America, Habitat for Humanity International and Covenant House. Having been a member of numerous public company boards of directors, Ms. Alexander is familiar with a full range of corporate and board functions. She also has extensive experience in corporate finance, investment and strategic planning matters. The Board believes that, among other qualifications, Ms. Alexander's extensive experience in corporate finance, investment and strategic planning matters give her the skills to serve as a director.

Scott Hunter (age 60) 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. The Board believes that, among other qualifications, Mr. Hunter's broad insurance and reinsurance industry experience and expertise specifically with regard to insurance and reinsurance corporate finance and accounting matters give him the skills to serve as a director.

Mark R. Patterson (age 60) was appointed to the Board in March 2006. Since 2002, Mr. Patterson has served as Chairman of MatlinPatterson Global Advisers LLC and its affiliates, an investment management firm, 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 has 36 years of experience in commercial and investment banking. Mr. Patterson currently serves on behalf of MatlinPatterson's funds as a member of the board of directors of Gleacher & Company, Inc. (formerly known as Broadpoint Securities Group, Inc.) and Flagstar Bancorp, Inc. Mr. Patterson has served on behalf of MatlinPatterson's funds as a member of the board of directors of Polymer Group, Inc. from May 2008 to December 2010 and Thornburg Mortgage Inc. from April 2008 to March 2009. Having been a member of numerous company boards of directors, Mr. Patterson is familiar with a full range of corporate and board functions. The Board believes that, among other qualifications, Mr. Patterson's extensive experience in corporate finance, risk management, investment and strategic planning matters give him the skills to serve as a director.

Patrick de Saint-Aignan (age 63) was appointed to the Board in August 2008. Mr. de Saint-Aignan has held multiple positions at Morgan Stanley internationally from 1974 to 2007, where he was a Managing Director and, most recently, an Advisory Director. He held responsibilities in corporate finance and capital markets and headed

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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 (2006-2008), where he was Chairman of the Audit Committee and a member of the Risk Policy Committee and the Personnel and Remuneration Committee. Mr. de Saint-Aignan is currently a member of the board of directors of State Street Corporation, where he is a member of its Risk and Capital Committee. He is also a member of the board of directors and non-executive chairman of the European Kyoto Fund. The Board believes that, among other qualifications, Mr. de Saint-Aignan's broad experience and expertise in corporate finance, risk management and investment matters as well as his international business background give him the skills to serve as a director.

Samuel J. Weinhoff (age 61) 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 the 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 the Executive Committee, the Nominating and Governance Committee and the Audit Committee. Mr. Weinhoff served on the board of directors of Inter-Atlantic Financial, Inc. from July 2007 to October 2009. The Board believes that, among other qualifications, Mr. Weinhoff's extensive insurance and reinsurance industry experience as well as expertise in corporate finance, investment and strategic planning matters give him the skills to serve as a director.

The Board has determined that Ms. Alexander and Messrs. Duffy, Friedman, Hunter, Patterson, de Saint-Aignan and Weinhoff are independent directors under the listing standards of the NYSE. In addition, although Ms. Alexander serves on the audit committee of more than three publicly-traded companies, the Board has affirmatively determined that such simultaneous service does not impair her ability to serve on our Audit Committee. 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 B* to this Proxy Statement.

Meetings and Committees of the Board

During the year ended December 31, 2011, there were ten meetings of the Board of the Company (including regularly scheduled and special meetings). Each of our directors attended at least 75% of the aggregate number of Board meetings and committee meetings of which he or she was a member during the period he or she served on the Board. Our non-management directors meet separately from the other directors in an executive session at least quarterly. Mr. Friedman, our Vice 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 2011. The Lead Independent Director also has the authority to call meetings of the independent directors or full Board.

Board Leadership Structure

The Board has chosen a leadership structure that combines the role of the Chief Executive Officer and the Chairman of the Board while also having a Lead Independent Director. The Lead Independent Director assumes many of the responsibilities typically held by a non-executive chairman of the board and a list of his responsibilities is provided below. The Company's rationale for combining the Chief Executive Officer and

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Chairman of the Board positions relates principally to the Board's belief that at this stage of the Company's development and continued global expansion, the Company and its shareholders will be best served if the Chairman is in close proximity to the senior management team on a regular and continual basis.

The Lead Independent Director is elected solely by and from the independent directors. 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;

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

overseeing the information sent to the Board by management;

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

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 Enterprise Risk Committee, an Executive Committee, an Investment Committee and a Nominating & Corporate Governance Committee, each of which reports to the Board. During 2011, the Audit Committee held seven meetings, the Compensation Committee held six meetings, the Enterprise Risk Committee held four 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 Enterprise Risk 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 Investor Relations Corporate Information Governance Documents. Printed copies are also available by sending a written request to the Company's Corporate Secretary. Each committee reviews its charter at least annually and recommends any proposed changes to the Board for approval. Each of the Audit Committee, Compensation Committee, Enterprise Risk Committee and Nominating & Corporate Governance Committee conducts an annual self-evaluation of its performance. The Nominating & Corporate Governance Committee also conducts an evaluation of the performance of the Board, its committees and each director.

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 is also available on our website at www.awac.com under Investor Relations Corporate Information Governance Documents. Printed copies are also available by sending a written request to the Company's Corporate Secretary.

Audit Committee. The Audit Committee presently consists of Ms. Alexander (Co-Chair) and Messrs. Hunter (Co-Chair), Duffy, de Saint-Aignan 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 the 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.

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Compensation Committee. The Compensation Committee presently consists of Messrs. Weinhoff (Chairperson), Duffy, Friedman, Hunter and de Saint-Aignan and Ms. Alexander. 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

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administering all equity 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 recommend to the Board 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.

Enterprise Risk Committee. The Enterprise Risk Committee presently consists of Messrs. de Saint-Aignan (Chairperson), Hunter, and Weinhoff and Ms. Alexander, each of whom is an independent director. Pursuant to its charter, the Enterprise Risk Committee oversees management's assessment and mitigation of the Company's enterprise risks and reviews and recommends to the Board for approval the Company's overall firm-wide risk appetite statement and oversees management's compliance therewith.

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

Investment Committee. The Investment Committee presently consists of Messrs. Patterson (Chairperson), Hunter, de Saint-Aignan and Weinhoff and Ms. Alexander. The Investment Committee is comprised entirely of independent directors. Pursuant to its charter, the Investment Committee is responsible for adopting and overseeing compliance with the Company's Investment Policy Statement, which contains investment guidelines and other parameters for the investment portfolio. The Investment Committee oversees the Company's overall investment strategy and the Company's investment risk exposures.

Nominating & Corporate Governance Committee. The Nominating & Corporate Governance Committee presently consists of Messrs. Friedman (Chairperson), 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 oversee corporate governance matters and practices.

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 Shareholder Meeting in 2013 may do so by submitting in writing such nominees names and other information required under SEC rules and the Company's Articles of Association, in compliance with the procedures described under "Shareholder Proposals for 2013 Annual Shareholder 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, including whether such attributes or background would contribute to the diversity of the Board;

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. 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.

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The Board and the Nominating & Corporate Governance Committee do not have a specific policy regarding diversity. Instead, in addition to the general qualities that the Board requires of all nominees and directors, such as high personal and professional ethics, values and integrity, the Board and the Nominating & Corporate Governance Committee strive to have a diverse group of directors with differing experiences, qualifications, attributes and skills to further enhance the quality of the Board. As the Company is an insurance and reinsurance company that (i) sells products that protect other companies and individuals from complex risks, (ii) has a significant investment portfolio and (iii) faces operational risks similar to those at other international companies, the Board and the Nominating & Corporate Governance Committee believe that having a group of directors who have the range of experience and skills to understand and oversee this type of business is critical. The Board and the Nominating & Corporate Governance Committee do not believe that each director must be an expert in every aspect of the Company's business, but instead the Board and committee strive to have well-rounded, collegial directors who contribute to the diversity of ideas and strengthen the Board's capabilities as a whole. Through their professional careers and experiences, the Board and the Nominating & Corporate Governance Committee believe that each director has obtained certain attributes that further the goals discussed above.

Risk Oversight

While the assumption of risk is inherent to our business, we believe we have developed a strong risk management culture within the Company that is fostered and maintained by our senior management, with oversight by the Board through its committees. The Board primarily delegates its risk management oversight to three of its committees: the Audit Committee, the Enterprise Risk Committee and the Investment Committee, who regularly report to the Board. The Audit Committee primarily oversees those risks that may directly or indirectly impact the Company's financial statements, the Enterprise Risk Committee primarily oversees the Company's business and operational risks and the Investment Committee primarily oversees the Company's investment portfolio risks. The Enterprise Risk Committee also reviews and recommends for approval by the Board the Company's overall firm-wide risk appetite statement, and oversees management's compliance with this statement. Each committee has broad powers to ensure that it has the resources to satisfy its duties under its charter, including the ability to request reports from any officer or employee of the Company and the authority to retain special counsel or other experts and consultants as it deems appropriate.

Each of these committees receives regular reports from senior management who have day-to-day risk management responsibilities, including from our Chief Executive Officer. The Audit Committee receives reports from our Chief Executive Officer, Chief Financial Officer, Chief Actuary, General Counsel, Head of Internal Audit and the Company's independent auditors. These reports address various aspects of risk assessment and management relating to the Company's financial statements. The Enterprise Risk Committee meets regularly with our Chief Executive Officer, Chief Risk Officer and Chief Actuary as part of its oversight of the Company's underwriting, pricing and claims risks. Throughout the year, the Enterprise Risk Committee will also receive reports from other operational areas. To assist it in its oversight of the Company's investment risk exposures, the Investment Committee receives reports from our Chief Investment Officer, Chief Financial Officer and external investment managers and advisors.

As open communications and equal access to information can be an important part of the Board's risk oversight, all of the directors receive the information sent to each committee prior to any committee meeting. Board members are also encouraged to, and often do, attend all committee meetings regardless of whether he or she is a member of such committee.

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The following table provides information concerning the compensation of the Company's non-management directors for fiscal year 2011.

Non-Management Directors Compensation(1)

Name	Fees Earned or		Total
	Paid in Cash	Stock Awards(2)	
Barbara T. Alexander	\$ 147,500	\$ 65,016	\$ 212,516
James F. Duffy	\$ 159,500	\$ 65,016	\$ 224,516
Bart Friedman	\$ 126,500	\$ 65,016	\$ 191,516
Scott Hunter	\$ 159,500	\$ 65,016	\$ 224,516
Mark R. Patterson	\$ 129,500	\$ 65,016	\$ 194,516
Patrick de Saint-Aignan	\$ 168,500	\$ 65,016	\$ 233,516
Samuel J. Weinhoff	\$ 127,500	\$ 65,016	\$ 192,516

- (1) In 2011, our non-management directors did not receive any non-equity incentive plan compensation, did not have any pension or deferred compensation plans and did not receive any perquisite or compensation that would be required to be included in this table. Accordingly, other columns generally required pursuant to SEC rules are not included in the Non-Management Directors Compensation table.
- (2) As of December 31, 2011, our non-management directors held an aggregate of 7,399 restricted stock units (RSUs) under the Allied World Assurance Company Holdings, AG Third Amended and Restated 2004 Stock Incentive Plan (the Stock Incentive Plan), with each director holding 1,057 RSUs. The amounts shown in the Stock Awards column equal the estimate of aggregate compensation costs to be recognized with respect to RSU awards granted in 2011 determined as of the grant date under Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718, Stock Compensation (FASB ASC Topic 718), and excluding the effect of estimated forfeitures. The fair value has been calculated using the closing price of the Common Shares on the date of grant (\$61.51 per Common Share). For additional information on the calculation of the compensation expense, please refer to footnote 2 of the Summary Compensation Table below.

In 2011, our non-management directors have been paid the following aggregate fees for serving as directors of the Company:

\$75,000 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. In February 2012, the Board approved an increase in the attendance fees paid to each non-management director for attending Board meetings. Commencing in 2012, each non-management director will receive an increase from \$1,500 per meeting to \$3,000 per meeting.

As reflected in the Stock Awards column of the Non-Management Directors Compensation table above, 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

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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 generally granted to our employees. In 2011, 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 2011 year-end financial statements. Consistent with past practice, on February 22, 2012, each of our non-management directors received 1,014 RSUs.

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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.

The chairperson of a committee of the Board receives a retainer, paid annually, for such service in addition to the base retainer for serving as a director. For 2011, the Co-Chairs of the Audit Committee and the Chairs of the Compensation Committee, the Enterprise Risk Committee and the Investment Committee received an additional annual retainer of \$35,000. The Nominating & Corporate Governance Committee Chair received an additional annual retainer of \$8,000. In addition, each Audit Committee member (other than the Co-Chairs) received an additional annual retainer of \$15,000.

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 or her 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.

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

(Proposal 2 on Proxy Card)

The Company is providing its shareholders with the opportunity to cast an advisory vote to approve executive compensation as described below. The Company believes that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program.

The objective of the Company's executive compensation program is to attract and retain talented and highly-skilled employees, reward strong Company and individual performance, align the interests of the executive officers and the Company's shareholders and remain competitive with other insurance and reinsurance companies, particularly those with which the Company competes. The Company believes that its executive compensation program, which emphasizes long-term, performance-based equity awards, a portion of which is at risk with vesting dependent on the Company achieving certain performance targets, meets this objective and is strongly aligned with the long-term interests of its shareholders. The Compensation Discussion and Analysis section of this Proxy Statement beginning on page 41 describes the Company's executive compensation program and the decisions made by the Compensation Committee in more detail.

In light of the global catastrophes that had a significant adverse effect on the insurance and reinsurance industry and the difficult economic conditions, on a relative basis the Company performed well in 2011. For the year ended December 31, 2011, on a relative basis against its Peer Group (as defined below) of 14 companies, the Company was fifth in diluted book value per share growth (adjusted for dividends), return on equity and combined ratio (a measure of underwriting performance), seventh in stock price appreciation, and eighth in net premiums written growth and net income growth. For the three-year period ended December 31, 2011, on a relative basis, the Company was first in return on equity, second in diluted book value per share growth (adjusted for dividends) and stock price appreciation, third in net premiums written growth and combined ratio, and fifth in net income growth.

Your Board unanimously recommends the approval of the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K promulgated by the SEC, including the Compensation Discussion and Analysis section, compensation tables and narrative discussion, be, and hereby is, APPROVED.

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As an advisory vote, this proposal is not binding upon the Company. However, the Compensation Committee, which is responsible for designing and administering the Company's executive compensation programs, values the opinions expressed by shareholders in their vote on this proposal and will continue to consider the outcome of the vote when making future compensation decisions for the named executive officers.

APPROVAL OF

2012 OMNIBUS INCENTIVE COMPENSATION PLAN

(Proposal 3 on Proxy Card)

At the Annual Shareholder Meeting, the Company's shareholders will be asked to approve and adopt the Company's 2012 Omnibus Plan. The Board unanimously approved the 2012 Omnibus Plan on February 22, 2012, subject to the approval of our shareholders. The 2012 Omnibus Plan will become effective upon the approval of the Company's shareholders.

The following summary of the 2012 Omnibus Plan is qualified in its entirety by express reference to the text of the 2012 Omnibus Plan, a copy of which is attached as *Appendix C* to this Proxy Statement.

The Board has unanimously approved the 2012 Omnibus Plan as a flexible omnibus incentive compensation plan that will allow the Company to use different forms of compensation awards to attract, retain and reward eligible participants under the 2012 Omnibus Plan and strengthen the mutuality of interests between management and shareholders. The 2012 Omnibus Plan will replace the Allied World Assurance Company Holdings, AG Third Amended and Restated 2001 Employee Stock Option Plan (the "Stock Option Plan"), the Stock Incentive Plan and the Allied World Assurance Company Holdings, AG Third Amended and Restated Long-Term Incentive Plan (the "LTIP" and along with the Stock Option Plan and Stock Incentive Plan, the "Prior Plans"). The Prior Plans will be automatically terminated, replaced and superseded by the 2012 Omnibus Plan on the date on which the 2012 Omnibus Plan is approved by the Company's shareholders, except that any outstanding awards granted under the Prior Plans will remain in effect pursuant to their terms. If shareholder approval is not received, the Prior Plans will not be terminated, replaced and superseded and will remain in place pursuant to their current respective terms.

Summary of the 2012 Omnibus Plan

The Purpose of the 2012 Omnibus Plan

The purpose of the 2012 Omnibus Plan is to promote the interests of the Company and its shareholders by (i) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) and (ii) enabling such individuals to participate in the long-term growth and financial success of the Company.

Types of Awards

The 2012 Omnibus Plan will provide for the grant of options intended to qualify as incentive stock options ("ISOs") under Section 422 of the U.S. Internal Revenue Code of 1986 (the "Code"), nonqualified stock options ("NSOs"), stock appreciation rights ("SARs"), restricted shares, RSUs, deferred share units, cash incentive awards, performance-based compensation awards and other equity-based and equity-related awards.

Plan Administration

The 2012 Omnibus Plan will be administered by the Compensation Committee of the Board or such other committee the Board designates to administer the plan. Subject to the terms of the plan and applicable law, the Compensation Committee will generally have the authority to (i) designate participants; (ii) determine the type or types of awards to be granted to a participant; (iii) determine the number of Common Shares to be covered by awards; (iv) determine the terms and conditions of awards; (v) determine the vesting schedules of awards and, if certain performance criteria were required to be attained in order for an award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been

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attained; (vi) determine whether awards may be settled or exercised in cash, Common Shares, other securities, other awards or other property; (vii) determine whether and in what circumstances amounts payable with respect to an award will be deferred; (viii) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the 2012 Omnibus Plan; (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the 2012 Omnibus Plan; (x) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards; and (xi) make any other determination and take any other action that the Compensation Committee deems necessary or desirable for the administration of the 2012 Omnibus Plan.

Common Shares Available For Awards

Subject to adjustment for changes in capitalization, as described below, the maximum aggregate number of Common Shares that will be available to be delivered pursuant to awards granted under the Omnibus Plan will be equal to 1,500,000 (the Plan Share Limit), all of which may be delivered pursuant to ISOs under the 2012 Omnibus Plan.

Subject to adjustment for changes in capitalization, as described below, for purposes of calculating the number of Common Shares available under the 2012 Omnibus Plan, each option or stock-settled SAR (regardless of the number of Common Shares actually delivered upon settlement of such stock-settled SAR) granted under the 2012 Omnibus Plan will reduce the Plan Share Limit by 0.36 Common Shares and each other award denominated in Common Shares granted under the 2012 Omnibus Plan will reduce the Plan Share Limit by one Common Share. Awards that are settled in cash will not reduce the Plan Share Limit. The Company commits that, with respect to the number of Common Shares subject to awards granted during fiscal years 2012, 2013 and 2014, the Company will maintain an average annual burn rate over such period that does not exceed 2.8% of the weighted average Common Shares outstanding (which, for the avoidance of doubt, will take into account any changes in the number of Common Shares outstanding resulting from, among other things, any issuances, repurchases or exercises or vesting of awards, during such period). For purposes of calculating the number of shares granted in a particular year, all awards will first be converted into stock option-share equivalents. Each share that is subject to stock options or SARs will count as one share and each share that is subject to awards other than stock options or SARs will count as 2.5 shares.

If any award granted under the plan were forfeited or otherwise expired, terminated or were canceled without the delivery of all Common Shares subject thereto or were settled other than by the delivery of Common Shares (including cash settlement), then the number of Common Shares subject to such award that were not issued with respect to such award will not be treated as issued for purposes of reducing the Plan Share Limit. Notwithstanding the foregoing, the unused portion of the Plan Share Limit and the maximum number of Common Shares that may be delivered pursuant to ISOs will not be increased, and the Common Shares available for issuance will not otherwise increase, as a result of the surrender or tender of Common Shares to the Company in payment of the exercise price of an award or any taxes required to be withheld in respect of an award. With respect to awards that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, subject to adjustment for changes in capitalization, as described below, (i) in the case of awards that will be settled in Common Shares, the maximum aggregate number of Common Shares that may be delivered pursuant to awards granted to any participant in any fiscal year will not exceed 650,000 (the Annual Individual Limit); (ii) in the case of awards that will be settled in cash based on the fair market value (as defined in the 2012 Omnibus Plan) of a Common Share, the maximum aggregate amount of cash that may be paid pursuant to awards granted to any participant in any fiscal year will not exceed the per-share fair market value as of the relevant vesting, payment or settlement date multiplied by the Annual Individual Limit; and (iii) in the case of all awards other than awards that will be settled in Common Shares or in cash based on the fair market value of a Common Share, the maximum aggregate amount of cash and other property (valued at fair market value) other than Common Shares that may be paid or delivered pursuant to awards under the 2012 Omnibus Plan to any participant in any fiscal year will not exceed \$40 million.

Adjustments

In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off, the Compensation Committee will adjust any or all

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of (i) the number of Common Shares or other securities of the Company with respect to which awards may be granted; and (ii) the terms of any outstanding award, in each case, in the manner and method determined by the Compensation Committee to be appropriate. In the event of any reorganization, merger, amalgamation, consolidation, combination, repurchase or exchange of Common Shares or other similar corporate transactions, the Compensation Committee, in its discretion, will be permitted to make such adjustments to the 2012 Omnibus Plan and awards under the plan as it deems appropriate or desirable.

Source of Shares

Any Common Shares delivered pursuant to an award may consist, in whole or in part, of authorized and unissued shares or of treasury shares.

Eligible Participants

Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or any of its affiliates will be eligible to participate in the 2012 Omnibus Plan. The Company currently expects that awards will generally be limited to approximately 325 employees and non-employee directors (of whom there are currently seven eligible directors).

Stock Options and Stock Appreciation Rights

Subject to the provisions of the 2012 Omnibus Plan, the Compensation Committee will be permitted to grant options (either ISOs or NSOs) and SARs under the 2012 Omnibus Plan. The exercise price of each Common Share covered by an option or a SAR will be not less than the fair market value of each such Common Share on the grant date. Without the approval of the Company's shareholders, the Compensation Committee will not reprice any option or SAR granted under the 2012 Omnibus Plan or cancel any option or SAR granted under the 2012 Omnibus Plan for a cash payment at a time when the exercise price of such award is greater than the fair market value of the Common Shares subject to such award. All options granted under the 2012 Omnibus Plan will be NSOs unless the applicable award agreement expressly states that the option is intended to be an ISO. Under the plan, all options and SARs will be intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code. Unless otherwise set forth in the applicable award agreement, each option and SAR granted under the plan will vest and become exercisable with respect to 25% of the Common Shares subject to such award on each of the first four anniversaries of the grant date. The exercise price of an option may be paid in cash (or its equivalent) or by any other method (or combination of methods) acceptable to the Company and any third-party stock plan administrator arranged for by the Company. Upon exercise of a SAR, the holder will receive cash, Common Shares, other securities, other awards, other property or a combination of any of the foregoing, as determined by the Compensation Committee, equal in value to the excess, if any, of the fair market value of a Common Share on the date of exercise of the SAR over the exercise price of the SAR. Unless otherwise set forth in the applicable award agreement, each option and SAR will expire upon the earlier of (i) the tenth anniversary of the grant date and (ii) 90 days after the participant who was holding the option or SAR ceased to be a director, officer, employee or consultant of the Company and its affiliates. No option or SAR will be exercisable after the tenth anniversary of the grant date.

Restricted Shares and Restricted Stock Units

Subject to the provisions of the 2012 Omnibus Plan, the Compensation Committee will be permitted to grant restricted shares and RSUs under the plan. Restricted shares will not be permitted to be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the plan or the applicable award agreement. Each restricted share will be evidenced in such manner as the Compensation Committee determines. Each RSU will be granted with respect to one Common Share (or a number determined pursuant to a specified formula) or will have a value equal to the fair market value of one Common Share (or a number determined pursuant to a specified formula). Upon vesting of an RSU, the holder will receive cash, Common Shares, other securities, other awards, other property or a combination of any of the foregoing, as determined by the Compensation Committee. Unless otherwise set forth in the applicable award agreement, each restricted share and RSU granted under the

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2012 Omnibus Plan will become vested with respect to 25% of the Common Shares subject to such award on each of the first four anniversaries of the grant date. If a restricted share or RSU will be intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, all requirements applicable to performance compensation awards set forth in the 2012 Omnibus Plan and described below must be satisfied in order for such restricted share or RSU to vest. The Compensation Committee will be permitted to, on such terms and conditions as it determines, provide a participant who holds restricted shares or RSUs with dividend equivalents, payable in cash, Common Shares, other securities, other awards or other property.

Other Stock-Based Awards

Subject to the provisions of the 2012 Omnibus Plan, the Compensation Committee will be permitted to grant to participants other equity-based or equity-related awards (including deferred share units and fully vested Common Shares). The Compensation Committee will be permitted to determine the amounts and terms and conditions of any such awards.

Cash Incentive Awards

Subject to the provisions of the 2012 Omnibus Plan, the Compensation Committee will be permitted to grant cash incentive awards under the plan. In its discretion, the Compensation Committee will determine the number of cash incentive awards to grant to a participant, the duration of the period during which, and any conditions under which, the cash incentive awards will be eligible to vest or will be forfeited, and any other terms and conditions applicable to the cash incentive award. Subject to the provisions of the 2012 Omnibus Plan, the holder of a cash incentive award will be entitled to receive a payment based on the number and value of the cash incentive award earned, which will be determined by the Compensation Committee, in its discretion, based on the extent to which performance goals or other conditions applicable to the cash incentive awards have been achieved. If a cash incentive award is intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, all requirements applicable to performance compensation awards set forth in the 2012 Omnibus Plan and described below must be satisfied.

Performance-Based Compensation Awards

The Compensation Committee will be permitted to designate any award granted under the plan (other than options and SARs) as a performance compensation award in order for such award to qualify as qualified performance-based compensation under Section 162(m) of the Code. In addition, the Compensation Committee will be permitted to grant performance compensation awards that will not be intended to qualify as qualified performance-based compensation under Section 162(m) of the Code. If the awards are not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code at the time of grant or any time thereafter, the Compensation Committee will not be limited by the requirements described below. Performance compensation awards intended to qualify as qualified performance-based compensation under Section 162(m) of the Code will be subject to the following additional requirements:

Recipients of Performance Compensation Awards. The Compensation Committee will, in its discretion, designate within the first 90 days of a performance period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) the participants who will be eligible to receive performance compensation awards in respect of such performance period. The Compensation Committee will also determine the length of the performance periods, the types of awards to be issued, the performance criteria that will be used to establish the performance goals and any objective performance formula used to determine whether a performance compensation award has been earned for the performance period.

Performance Criteria Applicable to Performance Compensation Awards. The performance criteria will be limited to the following, which may be applied on an absolute basis or be relative to one or more peer companies or indices or any combination thereof: (i) share price; (ii) net income, earnings or comprehensive income before or after taxes (including earnings before interest, taxes, depreciation and amortization); (iii) operating income; (iv) earnings per share (including specified types or categories thereof); (v) cash flow (including specified types or categories thereof); (vi) revenues (including specified

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types or categories thereof); (vii) return measures (including specified types or categories thereof); (viii) shareholder return measures (including specified types or categories thereof); (ix) sales or product volume; (x) working capital; (xi) gross or net profitability/profit margins (including profitability of an identifiable business unit or product); (xii) objective measures of productivity or operating efficiency; (xiii) costs (including specified types or categories thereof); (xiv) expenses (including specified types or categories thereof); (xv) product unit and pricing targets; (xvi) premiums written and sales of particular products; (xvii) combined ratio; (xviii) operating ratio; (xix) leverage ratio; (xx) credit rating; (xxi) borrowing levels; (xxii) market share (in aggregate or by segment); (xxiii) level or amount of acquisitions; (xxiv) economic value; (xxv) enterprise value; (xxvi) book, economic book or intrinsic book value (including book value per share); (xxvii) improvements in capital structure; (xxviii) underwriting income or profit; (xxix) underwriting return on capital; (xxx) underwriting return on equity; and (xxxi) customer satisfaction survey results.

Modification of Performance Goals. The Compensation Committee will be permitted to adjust or modify the calculation of performance goals for a performance period in the event of, in anticipation of, or in recognition of, any unusual or extraordinary corporate item, transaction, event or development or any other unusual or nonrecurring events affecting the Company, any of its affiliates, subsidiaries, divisions or operating units (to the extent applicable to such performance goal), or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles, law or business conditions, so long as that adjustment or modification would not cause the performance compensation award to fail to qualify as qualified performance-based compensation under Section 162(m) of the Code.

Requirements to Receive Payment for 162(m) Awards. Except as otherwise permitted by Section 162(m) of the Code, in order to be eligible for payment in respect of a performance compensation award for a particular performance period, participants will be required to be employed by the Company or one of its affiliates on the date that the performance compensation award will be paid, the performance goals for such period will be required to be satisfied and certified by the Compensation Committee.

Limitations on Compensation Committee Discretion. Except as otherwise permitted by Section 162(m) of the Code, in no event will any discretionary authority granted to the Compensation Committee under the 2012 Omnibus Plan be used to grant or provide payment in respect of performance compensation awards for which performance goals have not been attained, increase a performance compensation award for any participant at any time after the first 90 days of the performance period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) or increase a performance compensation award above the maximum amount payable under the underlying award.

Amendment and Termination of the 2012 Omnibus Plan

Subject to any applicable law or government regulation and the rules of the NYSE or any successor exchange or quotation system on which the Common Shares may be listed or quoted, the 2012 Omnibus Plan will be permitted to be amended, modified or terminated by the Board without the approval of the Company's shareholders, except that shareholder approval will be required for any amendment that would (i) increase either the Plan Share Limit or increase the maximum number of Common Shares that could be delivered pursuant to ISOs granted under the 2012 Omnibus Plan, (ii) change the class of employees or other individuals eligible to participate in the 2012 Omnibus Plan or (iii) allow repricing of any option or SAR or cancellation of any option or SAR for a cash payment at a time when the exercise price of such awards is greater than the fair market value of the Common Shares subject to such award, in each case, without approval by the Company's shareholders. Under these provisions, shareholder approval will not be required for all possible amendments that might increase the cost of the 2012 Omnibus Plan.

The Compensation Committee will be permitted to waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted, prospectively or retroactively, including taking any action that would cause a performance compensation award that qualified as qualified performance-based compensation under Section 162(m) of the Code at the time of grant and at any

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time thereafter to cease to qualify as qualified performance-based compensation under Section 162(m) of the Code at the time of payment). However, unless otherwise provided by the Compensation Committee in the applicable award agreement or in the 2012 Omnibus Plan, any waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any participant to any award previously granted will not to that extent be effective without the consent of the affected participant.

Change of Control

The 2012 Omnibus Plan will provide that, unless otherwise provided in an award agreement or a participant's employment agreement, in the event of a change of control of the Company, (i) any options or SARs outstanding as of a termination of a participant's employment by the Company without cause or by the participant for good reason (as each term is defined in the 2012 Omnibus Plan), in each case, that occurs within two years following the date the change of control occurs, will automatically vest and become exercisable at the time of such termination; (ii) any performance compensation awards outstanding as of a termination of a participant's employment by the Company without cause or by the participant for good reason, in each case, that occurs within two years following the date the change of control occurs, will automatically vest and be paid out at the time of such termination at the same percentage at which the Company is expensing such award for financial reporting purposes immediately prior to such termination; and (iii) all other awards outstanding as of a termination of a participant's employment by the Company without cause or by the participant for good reason, in each case, that occurs within two years following the date the change of control occurs, will automatically vest and become exercisable and all restrictions and forfeiture provisions related thereto will lapse at the time of such termination.

Unless otherwise provided pursuant to an award agreement, a change of control will be defined to mean any of the following events, generally:

during any period of 24 consecutive calendar months, a change in the composition of a majority of the board of directors, as constituted on the first day of such period, that was not supported by a majority of the incumbent board of directors;

consummation of certain mergers, amalgamations or consolidations of the Company (or, in certain situations, one of the Company's subsidiaries) with any other corporation following which the Company's shareholders hold 50% or less of the combined voting power of the surviving entity;

the Company's shareholders approve a plan of complete liquidation or dissolution of the Company; or

an acquisition by any individual, entity or group of beneficial ownership of a percentage of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors that was equal to or greater than 30%.

Although award agreements may provide for a different definition of change of control than is provided for in the 2012 Omnibus Plan, except in the case of a transaction described in the third bullet above, any definition of change of control set forth in any award agreement will provide that a change of control will not occur until the consummation or effectiveness of a change in control of the Company, rather than upon the announcement, commencement, shareholder approval or other potential occurrence of any event or transaction that, if completed, would result in a change in control of the Company.

Recoupment of Awards

Pursuant to the 2012 Omnibus Plan, the Company intends to include recoupment provisions in the applicable award agreements providing that, if a participant who is subject to Section 16(a) of the Exchange Act engages in any act of fraud or intentional misconduct that contributes materially to any financial restatement of the Company, any portion of an award that previously vested and was paid to such participant will immediately terminate and the participant will be required to repay to the Company the difference between any amount paid within the one-year period preceding the financial restatement and the amount that should have been paid with respect to the participant's award based on the financial restatement.

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The Company intends to fully comply with the final rules issued by the SEC with regard to recoupment of compensation as required under The Dodd-Frank Wall Street Reform and Consumer Protection Act.

Term of the Plan

No award will be permitted to be granted under the 2012 Omnibus Plan after the tenth anniversary of the date the plan is approved by the Company's shareholders.

Certain Federal Tax Consequences of the Plan

The following summary described the U.S. federal income tax treatment associated with options awarded under the 2012 Omnibus Plan. The summary is based on the law as in effect on March 1, 2012. The summary does not discuss state or local tax consequences, non-U.S. tax consequences or tax consequences applicable to awards other than options.

Incentive Stock Options

Neither the grant nor the exercise of an ISO results in taxable income to the optionee for regular U.S. federal income tax purposes. However, an amount equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of Common Shares with respect to which the ISO is being exercised will count as alternative minimum taxable income which, depending on the particular facts, could result in liability for the alternative minimum tax or AMT. If the optionee does not dispose of the Common Shares issued pursuant to the exercise of an ISO until the later of the two-year anniversary of the date of grant of the ISO and the one-year anniversary of the date of the acquisition of those shares, then (a) upon a later sale or taxable exchange of the Common Shares, any recognized gain or loss would be treated for tax purposes as a long-term capital gain or loss and (b) the Company would not be permitted to take a deduction with respect to that ISO for federal income tax purposes. If Common Shares acquired upon the exercise of an ISO were disposed of prior to the expiration of the two-year and one-year holding periods described above (a disqualifying disposition), generally the optionee would realize ordinary income in the year of disposition in an amount equal to the lesser of (i) any excess of the fair market value of the Common Shares at the time of exercise of the ISO over the amount paid for the Common Shares or (ii) the excess of the amount realized on the disposition of the Common Shares over the participant's aggregate tax basis in the shares (generally, the exercise price). A deduction would be available to the Company equal to the amount of ordinary income recognized by the optionee. Any further gain realized by the optionee will be taxed as short-term or long-term capital gain and would not result in any deduction by the Company. A disqualifying disposition occurring in the same calendar year as the year of exercise would eliminate the alternative minimum tax effect of the ISO exercise. Special rules may apply where all or a portion of the exercise price of an ISO is paid by tendering shares, or if the Common Shares acquired upon exercise of an ISO are subject to substantial forfeiture restrictions. The foregoing summary of tax consequences associated with the exercise of an ISO and the disposition of Common Shares acquired upon exercise of an ISO assumes that the ISO is exercised during employment or within three months following termination of employment. The exercise of an ISO more than three months following termination of employment will result in the tax consequences described below for NSOs, except that special rules apply in the case of disability or death. An individual's stock options otherwise qualifying as ISOs will be treated for tax purposes as NSOs (and not as ISOs) to the extent that, in the aggregate, they first become exercisable in any calendar year for stock having a fair market value (determined as of the date of grant) in excess of \$100,000.

Nonqualified Stock Options

An NSO (that is, a stock option that does not qualify as an ISO) would result in no taxable income to the optionee or deduction to the Company at the time it is granted. An optionee exercising an NSO would, at that time, realize taxable compensation equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of Common Shares with respect to which the option is being exercised. If the NSO was granted in connection with employment, this taxable income would also constitute wages subject to withholding and employment taxes. A corresponding deduction would be available to the Company. The foregoing summary assumes that the Common Shares acquired upon exercise of an NSO option are not subject to a substantial risk of forfeiture.

Table of Contents**Section 162(m)**

Section 162(m) of the Code currently provides that if, in any year, the compensation that is paid to the Company's Chief Executive Officer or to any of the Company's three other most highly compensated executive officers (currently excluding the Company's Chief Financial Officer) exceeds \$1,000,000 per person, any amounts that exceed the \$1,000,000 threshold will not be deductible by the Company for U.S. federal income tax purposes, unless the compensation qualifies for an exception to Section 162(m) of the Code. Certain performance-based awards under plans approved by shareholders are not subject to the deduction limit. Options and SARs that will be awarded under the 2012 Omnibus Plan are intended to be eligible for this performance-based exception.

Sections 409A and 457A

Sections 409A and 457A of the Code impose restrictions on nonqualified deferred compensation. Failure to satisfy these rules results in accelerated taxation, an additional tax to the holder of the amount equal to 20% of the deferred amount, and a possible interest charge. Stock options granted with an exercise price that is not less than the fair market value of the underlying shares on the date of grant will not give rise to deferred compensation for this purpose unless they involve additional deferral features. Stock options that will be awarded under the 2012 Omnibus Plan are intended to be eligible for this exception. In addition, it is intended that the provisions of the 2012 Omnibus Plan comply with Sections 409A and 457A of the Code, and all provisions of the 2012 Omnibus Plan will be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under these rules.

New 2012 Omnibus Plan Benefits

Any new awards under the 2012 Omnibus Plan will be granted at the discretion of the Compensation Committee, and, therefore it is not possible to determine the amount or form of any award that will be available for grant to any participant under such plan.

Securities Authorized for Issuance Under Equity Compensation Plans

Please refer to Executive Compensation Compensation Discussion and Analysis Equity Compensation Plan Information for information about equity-based awards outstanding and Common Shares available for future award under the Company's equity compensation plans as of December 31, 2011. The following table provides information about equity-based awards outstanding and Common Shares available for future awards under all of the Company's equity compensation plans as of March 1, 2012.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by Shareholders	2,145,528	\$ 45.85	1,546,634(3)
Equity compensation plans not approved by Shareholders(4)	43,334		0
Total	2,188,862	\$ 45.85	1,546,634(3)

(1) Represents 1,457,407 stock options granted under the Stock Option Plan, which have a weighted average remaining contractual life of 6.7 years, and 688,121 and 43,334 shares granted pursuant to RSUs and performance-based awards under the Stock Incentive Plan and LTIP, respectively.

(2) The weighted average exercise price reported in the column above does not take into account RSUs or performance-based awards.

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(3) Includes 1,381,379 Common Shares available for issuance pursuant to stock options granted under the Stock Option Plan and 165,255 Common Shares available for issuance pursuant to RSUs awarded under the Stock Incentive Plan. **If the 2012 Omnibus Plan is approved, the Stock Option Plan, Stock Incentive Plan and LTIP will automatically terminate and be replaced by the 2012 Omnibus Plan, except that any outstanding awards granted under such plans will remain in effect pursuant to their terms.**

(4) Represents Common Shares issued under the LTIP.

Your Board unanimously recommends a vote FOR the approval and adoption of the Allied World Assurance Company Holdings, AG 2012 Omnibus Incentive Compensation Plan.

APPROVAL OF NEW SHARE REPURCHASE PROGRAM

(Proposal 4 on Proxy Card)

The Company is seeking the approval of its shareholders to establish a new share repurchase program for the repurchase of up to \$500 million of the Voting Shares and Non-Voting Shares. Under the terms of this new share repurchase program, Voting Shares and Non-Voting Shares repurchased shall be designated for cancellation and shall be cancelled upon shareholder approval at a future annual shareholder meeting and therefore shall not be subject to the statutory provision of Swiss law that prohibits the Company from holding in treasury more than 10% of its aggregate Voting Shares and Non-Voting Shares. The repurchase of Voting Shares and Non-Voting Shares will only be made from reserves from capital contributions. The Company currently anticipates that the repurchases of Voting Shares and Non-Voting Shares shall take place over a two-year period.

In May 2010, the Company established a \$500 million share repurchase program. In connection with the Company redomesticating to Switzerland in December 2010, it received shareholder approval to continue the 2010 share repurchase program. As of March 1, 2012, there was approximately \$111 million in remaining capacity under the 2010 share repurchase program. The Company intends to continue to make repurchases of its Voting Shares and Non-Voting Shares under the 2010 share repurchase program. If approved by shareholders at the Annual Shareholder Meeting, the new share repurchase program will replace the 2010 share repurchase program once it has been completed.

General Explanation of the Share Repurchase Program

The Board is proposing that shareholders approve the new share repurchase program in order to provide the Company with maximum capital management flexibility. The Board believes that the future repurchase of shares for cancellation is advisable to the extent that market conditions, our financial condition and other factors so permit, in order to return excess cash to shareholders. The Board is therefore seeking shareholder approval to provide the Company with the flexibility to repurchase Voting Shares and Non-Voting Shares at any time after the Annual Shareholder Meeting.

If the share repurchase program is approved by the shareholders, there can be no assurance that any Voting Shares or Non-Voting Shares will actually be repurchased in the near term after the Annual Shareholder Meeting, or at all, and the repurchase program may be suspended or discontinued at any time.

The Board or the Company's management, as applicable, may decide, based upon general market conditions, the Company's cash flow, the Company's ongoing capital requirements, the price of the shares, regulatory considerations and other factors, that the Company should retain cash, reduce debt, make capital investments or otherwise use cash for general corporate purposes, and consequently repurchase fewer Voting Shares and Non-Voting Shares or not repurchase any shares. Decisions regarding the amount, if any, and timing of any share repurchases would be made from time to time based upon the factors set forth above.

The Board has decided to designate for cancellation any shares that are repurchased. The benefit of this procedure is that by obtaining shareholder approval for the future cancellation of the repurchased shares, these shares no longer fall under the statutory provision of Swiss law that prohibits the Company from holding in treasury an aggregate amount of Voting Shares and Non-Voting Shares that exceed 10% of the Company's aggregate share capital and participation capital.

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Your Board unanimously recommends a vote FOR the approval of the Company's \$500 million share repurchase program, with such Voting Shares and Non-Voting Shares acquired to be cancelled by the Company.

**APPROVAL OF
RECLASSIFICATION OF FREE RESERVES**

(Proposal 5 on Proxy Card)

The Company proposes that CHF 138 million of free reserves from capital contributions be reclassified to the general legal reserve from capital contributions. On January 1, 2011, a new Swiss tax law regarding the distribution of qualifying additional paid-in capital came into effect. Under this new tax law, distributions of qualifying additional paid-in capital in the form of a dividend or share repurchases are no longer subject to Swiss federal withholding tax. The Swiss federal tax authorities require Swiss companies to present qualifying additional paid-in capital in their statutory financial statements as a sub-item to the legal reserve account and designate it as general legal reserve from capital contributions.

The proposed reclassification is intended to ensure compliance with the requirements of the Swiss federal tax authorities and that such amount, which as of December 31, 2011 had been booked as free reserves, continues to be available for share repurchases and dividends in the future without any incurrence of Swiss federal withholding tax. If this proposal is approved by shareholders, the Company will have CHF 1,778 million in general legal reserve from capital contributions as of December 31, 2011.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

Your Board unanimously recommends a vote FOR the reclassification of the free reserves from capital contributions to the general legal reserve from capital contributions.

**APPROVAL OF THE COMPANY'S ANNUAL REPORT
AND FINANCIAL STATEMENTS**

(Proposal 6 on Proxy Card)

The 2011 Annual Report, which accompanies this Proxy Statement, contains the Company's audited consolidated financial statements and its audited statutory financial statements prepared in accordance with Swiss law, for the year ended December 31, 2011, as well as the reports of Deloitte & Touche Ltd. and Deloitte AG, our independent and statutory auditors, respectively. The 2011 Annual Report also contains information on our business activities and our business and financial condition. Pursuant to Swiss law, the 2011 Annual Report, the Company's audited consolidated financial statements and its audited Swiss statutory financial statements must be submitted to shareholders for approval at the Annual Shareholder Meeting. The 2011 Annual Report will be available for physical inspection at our offices at Lindenstrasse 8, 6340 Baar, Zug, Switzerland. Representatives of Deloitte & Touche Ltd. and Deloitte AG will attend the Annual Shareholder Meeting and will have an opportunity to make a statement if they wish. They will also be available to answer questions at the meeting.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

Your Board unanimously recommends a vote FOR the approval of the Company's 2011 Annual Report, including the Company's audited consolidated financial statements and its audited Swiss statutory financial statements prepared in accordance with Swiss law, each for the year ended December 31, 2011.

APPROVAL OF THE RETENTION OF DISPOSABLE PROFITS

(Proposal 7 on Proxy Card)

As noted in Proposal 6 Approval of the Company's Annual Report and Financial Statements above, the 2011 Annual Report that accompanies this Proxy Statement contains the Company's audited statutory financial

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statements prepared in accordance with Swiss law for the year ended December 31, 2011, as well as the report of Deloitte AG, our statutory auditors. For the year ended December 31, 2011, on a standalone basis, the Company had disposable profits of CHF 108 million (or approximately \$115 million). The Board proposes that the disposable profit on the Company's audited statutory financial statements be carried forward as retained earnings for fiscal year 2012. The Board believes that it is in the best interests of the Company and its shareholders to retain earnings for future investment in the growth of our business and for other attractive business opportunities. As noted in Proposal 11 Approval of the Payment of Dividends to the Company's Shareholders below, the Company is proposing that its shareholders receive cash dividends through a par value reduction. Accordingly, the Company is proposing that no dividend distribution be made at this time to shareholders from 2011 year-end disposable profits.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

Your Board unanimously recommends a vote FOR carrying forward as retained earnings the Company's disposable profits on its audited statutory financial statements for the year ended December 31, 2011.

**APPROVAL OF AN AMENDMENT TO THE
ARTICLES OF ASSOCIATION TO CANCEL TREASURY SHARES**

(Proposal 8 on Proxy Card)

Under its 2010 share repurchase program, the Company has repurchased and holds in treasury 2,668,115 Voting Shares and 173,100 Non-Voting Shares as of March 1, 2012 (collectively, the Treasury Shares). The Company is seeking approval of a capital reduction through a cancellation of 2,326,900 Voting-Shares and 173,100 Non-Voting Shares held in treasury. The cancellation of these Treasury Shares will be made against reserve for treasury shares from capital contributions. Those Treasury Shares that are not cancelled are expected to be used in connection with the Company's equity benefit plans or in other qualifying transactions. The cancellation of the Treasury Shares will have the effect of reducing the current share capital of the Company by an aggregate amount of CHF 34,275,000. The cancellation of the Treasury Shares will enable the Company to avoid holding in treasury an aggregate amount of Voting Shares and Non-Voting Shares in excess of 10% of its aggregate share capital and participation capital, as prohibited under Swiss law. For more information on the prospective par value of our Voting Shares and Non-Voting Shares, please see General Meeting Information Organizational Matters Required by Swiss Law *Par Value Amounts*.

Under Swiss law, a report from Deloitte AG, an auditor supervised by the Swiss government, will be available at the Annual Shareholder Meeting to confirm that the receivables of the creditors of the Company are fully covered after the capital reduction resulting from the cancellation of the Treasury Shares. Upon satisfaction of all legal requirements, under Swiss law we will be required to submit an application to the Commercial Register in the Canton of Zug to register the amendments to our Articles of Association to cancel the Treasury Shares. Without effective registration, we will not be able to proceed with the cancellation of the Treasury Shares as described in this proposal. We cannot assure you that the Commercial Register in the Canton of Zug will approve the registration.

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Pursuant to Swiss law, we are required to submit to you for your approval both the English and the (authoritative) German versions of the proposed amendment to the Articles of Association. Upon the cancellation of the Treasury Shares, Article 3a, subparagraph a), and Article 3b, subparagraph a), of the Articles of Association will be amended to read as follows:

Artikel 3a Aktienkapital

a) Das Aktienkapital der Gesellschaft beträgt CHF 513 774 051.42 und ist eingeteilt in 37 474 402 auf den Namen lautende Aktien im Nennwert von CHF 13.71 je Aktie. Das Aktienkapital ist vollständig liberiert.

Artikel 3b Partizipationskapital

a) Das Partizipationskapital der Gesellschaft beträgt CHF 400 880.40 und ist eingeteilt in 29 240 Partizipationsscheine lautend auf den Namen im Nennwert von CHF 13.71 je Partizipationsschein. Das Partizipationskapital ist vollständig liberiert.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

Article 3a Share Capital

a) The share capital of the Company amounts to CHF 513,774,051.42 and is divided into 37,474,402 registered shares with a par value of CHF 13.71 per share. The share capital is fully paid-in.

Article 3b Participation Capital

a) The participation capital of the Company amounts to CHF 400,880.40 and is divided into 29,240 registered participation certificates with a par value of CHF 13.71 per participation certificate. The participation capital is fully paid-in.

Your Board unanimously recommends that shareholders vote FOR the capital reduction by cancellation of 2,326,900 Voting Shares and 173,100 Non-Voting Shares held in treasury and the corresponding amendment to our Articles of Association.

APPROVAL OF AN AMENDMENT TO THE ARTICLES OF ASSOCIATION

TO ELIMINATE CERTAIN CONDITIONAL SHARE CAPITAL

(Proposal 9 on Proxy Card)

The Company is proposing to delete Article 5a of the Articles of Association. Under this Article, the Company was permitted to increase its share capital through the issuance of up to a maximum of 2,000,000 Voting Shares in connection with the exercise of shareholder warrants that were granted to AIG at the Company's formation in 2001. In February 2011, one of the Company's subsidiaries entered into a warrant repurchase agreement with AIG, pursuant to which we repurchased in full the warrant held by AIG. Accordingly, there is no requirement to continue to maintain this conditional share capital.

Under Swiss law, a report from Deloitte AG, an auditor supervised by the Swiss government, will be available at the Annual Shareholder Meeting to confirm that the elimination of the conditional capital under Article 5a is in accordance with Swiss law. Upon satisfaction of all legal requirements, under Swiss law we will be required to submit an application to the Commercial Register in the Canton of Zug to register the amendment to delete Article 5a and eliminate the conditional share capital thereunder. Without effective registration, we will not be able to proceed with this proposal. We cannot assure you that the Commercial Register in the Canton of Zug will approve the registration.

Your Board unanimously recommends a vote FOR the elimination of the conditional share capital under Article 5a of the Articles of Association.

APPROVAL OF AN AMENDMENT TO TH