

Allied World Assurance Co Holdings, AG
Form PRE 14A
March 07, 2013
Table of Contents

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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

Lindenstrasse 8

6340 Baar

Zug, Switzerland

NOTICE OF 2013 ANNUAL SHAREHOLDER MEETING

TO BE HELD ON MAY 2, 2013

March [], 2013

To Our Shareholders:

The 2013 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 2, 2013 at the Company's corporate headquarters, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, for the following purposes:

To elect three Class III directors to hold office until the Company's Annual Shareholder Meeting in 2016;

To approve, on an advisory basis, executive compensation;

To approve the Company's Annual Report and financial statements for the year ended December 31, 2012;

To approve the Company's retention of disposable profits;

To approve the payment of dividends to the Company's shareholders from general legal reserve from capital contributions;

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

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 2014;

To elect PricewaterhouseCoopers AG as the Company's special auditor to serve until the Company's Annual Shareholder Meeting in 2014;

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

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, 2012; 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 6, 2013 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,

Wayne H. Datz
Corporate Secretary

Table of Contents

TABLE OF CONTENTS

	Page
<u>General Meeting Information</u>	1
<u>Election of Directors</u>	7
<u>Advisory Vote On Executive Compensation</u>	14
<u>Approval of the Company's Annual Report and Financial Statements</u>	15
<u>Approval of the Retention of Disposable Profits</u>	15
<u>Approval of the Payment of Dividends to the Company's Shareholders</u>	16
<u>Approval of an Amendment to the Articles of Association to Cancel Treasury Shares</u>	17
<u>Election of Deloitte & Touche Ltd. as the Company's Independent Auditor and Deloitte AG as its Statutory Auditor</u>	18
<u>Election of PricewaterhouseCoopers AG as the Company's Special Auditor</u>	19
<u>Approval of Granting a Discharge to the Board of Directors and Executive Officers from Liabilities</u>	19
<u>Certain Relationships and Related Transactions</u>	20
<u>Principal Shareholders</u>	22
<u>Executive Officers</u>	24
<u>Executive Compensation</u>	26
<u>Shareholder Communication</u>	58
<u>Shareholder Proposals for 2014 Annual Shareholder Meeting</u>	58
<u>Other Matters</u>	59
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	59
<u>Notice of Internet Availability of Proxy Materials</u>	59
<u>Appendix A Form of Independent Proxy Card</u>	A-1
<u>Appendix B Text of Amendments to the Articles of Association</u>	B-1

Table of Contents

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 2013 Annual General Meeting of the Company's shareholders to be held at 2:00 p.m., local time, on Thursday, May 2, 2013 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 [], 2013. A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2012 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, 2012 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 6, 2013, as the record date for the Annual Shareholder Meeting (the **Record Date**). Holders of the Common Shares as of the close of business on the Record Date will be entitled to vote at the Annual Shareholder Meeting. As of March 6, 2013, there were

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

outstanding 34,637,433 Common Shares.

Beneficial owners of Common Shares and shareholders registered in our share register with Common 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 Common 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 15, 2013, 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 obtain the proxy materials by contacting the Corporate Secretary, attention: Wayne H. Datz, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via

Table of Contents

e-mail at secretary@awac.com. If you are a record holder of our Common Shares (as opposed to a beneficial holder of shares held in street name) on the Record Date but sell your Common Shares prior to April 15, 2013 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 Common 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 Common 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 Common 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 Common 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 Common Shares, which may contain instructions for voting by telephone or electronically.

Q: What will I be voting on?

A: You are voting on 9 items (collectively, the proposals):

1. To elect three Class III directors to hold office until the Company's Annual Shareholder Meeting in 2016 (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 Annual Report and financial statements for the year ended December 31, 2012 (Proposal 3 on the Proxy Card);
4. To approve the Company's retention of disposable profits (Proposal 4 on the Proxy Card);
- 5.

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

To approve the payment of dividends to the Company's shareholders from general legal reserve from capital contributions (the Dividend) (Proposal 5 on the Proxy Card);

6. To approve an amendment to the Articles of Association to reduce the Company's share capital and eliminate its participation capital through the cancellation of a portion of the Common Shares and the remainder of the non-voting shares, respectively, held in treasury (Proposal 6 on the Proxy Card);
7. 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 2014 (Proposal 7 on the Proxy Card);
8. To elect PricewaterhouseCoopers AG as the Company's special auditor to serve until the Company's Annual Shareholder Meeting in 2014 (Proposal 8 on the Proxy Card); and

Table of Contents

9. To approve a discharge of the Company's Board and executive officers from liabilities for their actions during the year ended December 31, 2012 (Proposal 9 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 Common 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 Common 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 Common Shares in person at the Annual Shareholder Meeting.

If you own shares through a bank, brokerage firm or other nominee you may instead receive from your bank, brokerage firm or nominee 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, brokerage firms and other nominees 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, broker or nominee giving you the right to vote your Common Shares at the Annual Shareholder Meeting.

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

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?

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

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 Common 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.

Table of Contents

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 Common 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 Common 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 our Articles of Association to reduce the Company's share capital and eliminate its participation capital (Proposal 6 on the Proxy Card) requires the affirmative **FOR** vote of at least 66 2/3% of the votes represented at the Annual Shareholder Meeting. The advisory vote on 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 and broker non-votes will be counted toward the presence of a quorum at the Annual Shareholder Meeting. Except as noted below, abstentions will not be considered votes cast on any of the proposals brought before the Annual Shareholder Meeting. For the proposal related to the amendment to the Articles of Association to reduce the Company's share capital and eliminate its participation capital (Proposal 6 on the Proxy Card), abstentions will be considered votes represented at the meeting and will thus have the same effect as votes against this proposal. 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 bank or broker will not have discretion to vote on non-routine matters, such as the election of directors, the non-binding advisory vote on executive compensation, the payment of the Dividend to the Company's shareholders 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 8, 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 25, 2013.

Table of Contents

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 25, 2013; or

If you own shares through a bank, brokerage firm or other nominee, by obtaining a proxy from your bank, broker or nominee giving you the right to vote your Common 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, 2012.

Q: Who pays the costs of soliciting proxies?

A: The cost of the solicitation of proxies will be borne by the Company. Solicitation will be made by mail, and may be made by the Company's directors, officers and employees, personally or by telephone, facsimile or other electronic means, for which the Company's directors, officers and employees will not receive any additional compensation. Proxy cards and materials also will be distributed to beneficial owners of Common Shares through banks, brokers, custodians, nominees and other parties, and the Company expects to reimburse such parties for their reasonable 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.

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, 2012, 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: Wayne H. Datz, 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 6, 2013, the person making the request was an owner of our Common Shares. 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

Table of Contents

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 8, 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?" above 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 25, 2013.

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 25, 2013.

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.

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.

Annual Report of Allied World Assurance Company Holdings, AG

The Company's 2012 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 Reports" link located in the section entitled "Investor Relations." Copies of the 2012 Annual Report may be obtained without charge upon written request to the Corporate Secretary, attention: Wayne H. Datz, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at secretary@awac.com. The 2012 Annual Report may be physically inspected at the Company's headquarters at Lindenstrasse 8, 6340 Baar, Zug, Switzerland.

Table of Contents

ELECTION OF DIRECTORS

(Proposal 1 on Proxy Card)

The Board is divided into three classes of directors, Class I, Class II and Class III. Three director nominees are being presented for election at the Annual Shareholder Meeting to serve as Class III Directors until the Annual Shareholder Meeting in 2016. 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, Barbara T. Alexander, Scott Hunter and Patrick de Saint-Aignan, 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:

Barbara T. Alexander (age 64) 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 and Chairperson of the Diversity 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 61) 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.

Patrick de Saint-Aignan (age 64) was appointed to the Board in August 2008. Mr. de Saint-Aignan 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 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

Table of Contents

Corporate and Investment Bank (2005-2007); 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; and a member of the board of directors and non-executive Chairman of the European Kyoto Fund (2010 – 2011). 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 and its Examining and Audit Committee. 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.

The following individuals are the Company's continuing directors:

Name	Position	Term Expires
Samuel J. Weinhoff	Class I Director	2014
Scott A. Carmilani	Class II Director	2015
James F. Duffy	Class II Director	2015
Bart Friedman	Class II Director	2015

Scott A. Carmilani (age 48) 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. Mr. Carmilani is currently a member of the board of trustees of the Visiting Nurse Association (VNA) Health Group, Inc. of New Jersey. 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 69) 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 68) 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, investment and corporate governance matters give him the skills to serve as a director.

Samuel J. Weinhoff (age 62) 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

Table of Contents

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 and the Nominating and Governance Committee and Chairman of 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, de Saint-Aignan and Weinhoff are independent directors under the listing standards of the New York Stock Exchange (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 was attached as an appendix to the Company's Proxy Statement filed with the SEC on March 16, 2012.

Meetings and Committees of the Board

During the year ended December 31, 2012, there were five 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 2012. 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 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,

serving 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,

Table of Contents

facilitating communication between the Board and management,

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

performing such other duties as requested by the Board.

Our Board has established an Audit Committee, a Compensation Committee, an Enterprise Risk Committee, an Executive Committee, an Investment Committee and a Nominating & Corporate Governance Committee, each of which reports to the Board. During 2012, the Audit Committee held six meetings, the Compensation Committee held four 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 their extensive prior accounting and auditing experience or having a range of experience in varying executive positions in the insurance or financial services industry.

Compensation Committee. The Compensation Committee presently consists of Messrs. 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 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.

Table of Contents

Investment Committee. The Investment Committee presently consists of Messrs. Friedman (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 2014 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 2014 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.

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.

Table of Contents**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, Chief Information Officer, 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.

Director Compensation

The following table provides information concerning the compensation of the Company's non-management directors for fiscal year 2012.

Non-Management Directors Compensation(1)

Name	Fees		Total
	Earned or		
	Paid in	Stock	
	Cash	Awards(2)	
Barbara T. Alexander	\$ 152,250	\$ 67,816	\$ 220,066
James F. Duffy	\$ 125,750	\$ 67,816	\$ 193,566
Bart Friedman	\$ 149,667	\$ 67,816	\$ 217,483
Scott Hunter	\$ 187,310	\$ 67,816	\$ 255,126
Patrick de Saint-Aignan	\$ 163,250	\$ 67,816	\$ 231,066
Samuel J. Weinhoff	\$ 168,750	\$ 67,816	\$ 236,566
Mark R. Patterson(3)	\$ 72,250	\$ 67,816	\$ 140,066

- (1) In 2012, 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

Table of Contents

SEC rules are not included in the Non-Management Directors Compensation table. In 2012, Mr. Hunter received \$27,060 in additional fees for serving on the boards of directors of two of our European subsidiaries. These fees are included in the table above.

(2) As of December 31, 2012, our non-management directors held an aggregate of 6,084 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 1,014 RSUs. In accordance with SEC rules, 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 2012 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 for purposes of the Stock Awards column in the table above by using the closing price of the Common Shares on the date of grant (\$66.88 per Common Share). In determining the fair value of awards for directors and all of our employees, the Board uses the daily volume-weighted average sales price of the Common Shares for the 20 consecutive trading days up to and including the second trading day prior to the date of grant (or \$64.11 per Common Share, a \$65,008 aggregate grant to each director on February 22, 2012). For additional information on the calculation of the compensation expense, please refer to footnote 4 of the Summary Compensation Table below.

(3) Reflects compensation for service through May 25, 2012, Mr. Patterson's date of resignation. Upon his resignation, Mr. Patterson forfeited the unvested RSUs shown in the table above that were granted to him in 2012 and that were valued at \$67,816 on the date of grant.

In 2012, 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;

\$1,500 per Board meeting attended by a director prior to February 2012, and \$3,000 per Board meeting attended thereafter;

\$1,500 per Board committee meeting attended by a director prior to November 2012, and \$2,000 per committee meeting attended thereafter; and

an annual RSU equity award worth approximately \$65,000.

In November 2012, the Board approved an increase in the annual retainer paid to each non-management director from \$75,000 to \$80,000 and an increase in the worth of the annual RSU equity award from approximately \$65,000 to approximately \$75,000.

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.

As discussed in footnote 2 to the Stock Awards column of the Non-Management Directors Compensation table above, each non-management director received an annual equity award of RSUs of the Company worth approximately \$65,000. Each RSU represents the right to receive one newly-issued, fully paid and non-assessable Common Share of the Company at a future date and fully vests on the first anniversary of the date of grant, subject to continued service as a director through such date. Other than with respect to vesting terms, the RSUs were awarded to our non-management directors pursuant to the Stock Incentive Plan and were granted on similar terms and conditions as those generally granted to our employees. In 2012, 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 2012 year-end financial statements. Consistent with past practice, on February 19, 2013, each of our non-management directors received 883 RSUs under the Allied World Assurance Company Holdings, AG 2012 Omnibus Incentive Compensation Plan (the 2012 Omnibus Plan).

Table of Contents

Committee Fees and Additional Retainers

An attendance fee of \$1,500 was paid to each non-management director committee member for attending committee meetings thereof. Beginning in November 2012, the Board approved an increase in the attendance fees paid to each non-management director for attending Committee meetings to \$2,000 per meeting.

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 2012, 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. This annual retainer was raised to \$25,000 beginning in 2013.

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 ON EXECUTIVE COMPENSATION

(Proposal 2 on Proxy Card)

The Company is providing its shareholders with the opportunity to cast an advisory vote on 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 significant 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 44 describes the Company's executive compensation program and the decisions made by the Compensation Committee in more detail.

For the year ended December 31, 2012, on a relative basis against its Peer Group (as defined below) of 14 companies, the Company was first in diluted book value per share growth (adjusted for dividends) and in return on equity, second in stock price appreciation and in net premiums written growth, and fifth in combined ratio (a measure of underwriting performance). For the three-year period ended December 31, 2012, on a relative basis, the Company was first in diluted book value per share growth (adjusted for dividends) and in average return on equity, second in stock price appreciation and in net premiums written growth, and fourth in average combined ratio. For the five-year period ended December 31, 2012, on a relative basis, the Company was first in diluted book value per share growth (adjusted for dividends) and in average return on equity, second in stock price appreciation, third in net premiums written growth and fourth in average combined ratio.

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.

Table of Contents

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 THE COMPANY'S ANNUAL REPORT AND FINANCIAL STATEMENTS

(Proposal 3 on Proxy Card)

The 2012 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, 2012, as well as the reports of Deloitte & Touche Ltd. and Deloitte AG, our independent and statutory auditors, respectively. The 2012 Annual Report also contains information on our business activities and our business and financial condition. Pursuant to Swiss law, the 2012 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 2012 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 2012 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, 2012.

APPROVAL OF THE RETENTION OF DISPOSABLE PROFITS

(Proposal 4 on Proxy Card)

As noted in Proposal 3 Approval of the Company's Annual Report and Financial Statements above, the 2012 Annual Report that accompanies this Proxy Statement contains the Company's audited statutory financial statements prepared in accordance with Swiss law for the year ended December 31, 2012, as well as the report of Deloitte AG, our statutory auditors. For the year ended December 31, 2012, on a standalone basis, the Company had disposable profits of CHF 303 million (or approximately \$332 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 2013. 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 5 Approval of the Payment of Dividends to the Company's Shareholders below, the Company is proposing that its shareholders receive cash dividends from general legal reserve from capital contributions. Accordingly, the Company is proposing that no dividend distribution be made at this time to shareholders from 2012 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, 2012.

Table of Contents

APPROVAL OF THE PAYMENT OF DIVIDENDS

TO THE COMPANY'S SHAREHOLDERS

(Proposal 5 on Proxy Card)

General Explanation of the Dividend

Since the time the Company became a Swiss company, it has made distributions to shareholders as a repayment of share capital through par value reductions rather than through dividends. The Company used this procedure because payment of a dividend in the form of a par value reduction is not subject to Swiss withholding tax. Swiss tax law also allows the payment of dividends from a company's general legal reserve from capital contributions without such dividends being subject to Swiss withholding taxes. Because the procedure for distributions from general legal reserve from capital contributions is simpler than through par value reductions (which involve an amendment to the Company's Articles of Association at the time of each quarterly payment), the Company is proposing for the coming year a dividend from this legal reserve.

This agenda item calls for a distribution to shareholders out of general legal reserve from capital contributions, in an aggregate CHF amount equal to \$2.00 per share (the Base Annual Dividend), using the USD/CHF currency exchange ratio as reported by The Wall Street Journal on the fourth New York business day prior to the date of the Annual Shareholder Meeting rounded down to the next cent amount (the Foreign Exchange Rate) which can be divided by four, payable in four installments; provided that, each of the CHF installments will be adjusted pursuant to a formula so that the actual CHF amount for each installment will equal \$0.50 per share, subject to an aggregate upward adjustment (the Dividend Cap), for the four installments of 50% of the Base Annual Dividend. Application of the formula will mean that the CHF amount of each installment will be determined at the approximate time of distribution, while the U.S. dollar value of the installment will remain \$0.50 per share unless and until the Dividend Cap is reached. A quarterly installment that would otherwise exceed the Dividend Cap will be reduced to equal the CHF amount remaining available under the Dividend Cap, and the U.S. dollar amount distributed will be the then-applicable U.S. dollar equivalent of that CHF amount.

Agenda Item

The Board proposes that our shareholders voting (in person or by proxy) at our Annual Shareholder Meeting approve the following Dividend in the form of a distribution from the Company's general legal reserve from capital contributions account. The blank numbers in the following resolution will be completed based upon the Company's actual share capital upon the date of the Annual Shareholder Meeting and applicable exchange rate calculations described below.

1. The aggregate amount of CHF [(number of Common Shares as registered in the Commercial Register on the date of the Annual Shareholder Meeting)] x [(USD 2.00 x the Foreign Exchange Rate)] (Aggregate Dividend Amount From Capital Contributions Reserves) shall be transferred from the Company's general legal reserve from capital contributions account to a dividends payable liability account and then be distributed by way of a dividend of CHF [(USD 2.00 x the Foreign Exchange Rate)] per share as follows:
2. The Aggregate Dividend Amount From Capital Contributions Reserves shall be paid to shareholders in four installments in the amount of CHF [(USD 0.50 per share x the Foreign Exchange Rate)] (Quarterly Dividend Amount From Capital Contributions Reserves) in July 2013, in October 2013, in January 2014 and in April 2014.
3. The Quarterly Dividend Amount From Capital Contributions Reserves equals USD 0.50 (Quarterly Dollar Amount) based on a USD/CHF exchange ratio of CHF [completed on the date of the Annual Shareholder Meeting] (rounded down to the next whole cent) per \$1 (being the Foreign Exchange Rate). The Quarterly Dividend Amount From Capital Contributions Reserves and the

Table of Contents

Aggregate Dividend Amount From Capital Contributions Reserves are subject to the following adjustments as a result of USD/CHF currency fluctuations:

- (i) The Quarterly Dividend Amount From Capital Contributions Reserves is to be adjusted as a result of currency fluctuations such that each quarterly Dividend amount shall equal an amount calculated as follows (rounded down to the next whole cent):
Quarterly Dividend Amount From Capital Contributions Reserves = Quarterly Dollar Amount x USD/CHF currency exchange ratio as reported by The Wall Street Journal on June 11, 2013, for the first quarterly dividend payment, on September 10, 2013, for the second quarterly dividend payment, on December 10, 2013, for the third quarterly dividend payment, and on March 11, 2014, for the fourth quarterly dividend payment.
 - (ii) The adjustment of the Aggregate Dividend Amount From Capital Contributions Reserves shall be capped at CHF [*completed on the date of the Annual Shareholder Meeting*] (corresponding to 50% of the Aggregate Dividend Amount From Capital Contributions Reserves set forth in paragraph 1). The cap is subject to further adjustment for new shares issued pursuant to paragraph 4 below.
4. The Aggregate Dividend Amount From Capital Contributions Reserves pursuant to paragraph 1 (as adjusted pursuant to paragraph 3(i) and 3(ii)) shall be increased (to a maximum of CHF [*completed on the date of the Annual Shareholder Meeting*] by quarterly dividend payments on shares that are issued (i) in the course of capital increases (in relation to any merger, amalgamation, acquisition or other corporate reorganizations); (ii) from authorized share capital; or (iii) from conditional share capital after the Annual Shareholder Meeting and before the record date of the applicable Quarterly Dividend Amount From Capital Contributions Reserves. Quarterly Dividend Amounts From Capital Contributions Reserves that would otherwise exceed such maximum limit shall be reduced to equal the Swiss franc amount remaining available under such maximum limit, and the U.S. dollar amount distributed will be the then-applicable U.S. dollar equivalent of that Swiss franc amount. In addition, any Quarterly Dividend Amount From Capital Contributions Reserves shall be adjusted to reflect shares repurchased by the Company after the Annual Shareholder Meeting and held in treasury on the record date of the applicable Quarterly Dividend Amount From Capital Contributions Reserves.
 5. Any Dividend Cap amount remaining after the payment of the final Quarterly Dividend Amount From Capital Contributions Reserves shall, by operation of this resolution, be immediately reallocated to the general legal reserve from capital contributions account included in the balance sheet of the Company's Swiss statutory financial statements, without any requirement that such reallocation be approved by the Board or at any Annual Shareholder Meeting.
 6. The Board of Directors is instructed to determine the procedure for the payment of the Quarterly Distribution Amounts From Capital Contributions Reserves.

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 payment of the Dividend as described above, such payment to be made in four quarterly installments.

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

(Proposal 6 on Proxy Card)

In May 2012, the Company's shareholders approved a share repurchase program for the repurchase of up to \$500 million of Common Shares, with such repurchased shares being designated for cancellation. Under its 2012 share repurchase program, the Company has repurchased and holds in treasury 1,538,686 Common Shares as of February 25, 2013. In addition, the Company holds in treasury 29,240 non-voting Common Shares as of such

Table of Contents

date that were exchanged for Common Shares. These non-voting Common Shares are referred to as participation certificates in our Articles of Association. The Company is seeking approval of a capital reduction through a cancellation of 1,538,686 Common Shares and the remaining 29,240 non-voting Common Shares held in treasury. The cancellation of these shares will be made against reserve for treasury shares from capital contributions. The remaining Common Shares held in treasury by the Company 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 19,285,489.80.

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 1,538,686 Common Shares and 29,240 non-voting Common Shares held in treasury. 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, Switzerland to register the amendments to our Articles of Association to cancel these 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.

None of the Company's shareholders currently hold any non-voting Common Shares. Following the cancellation of the remaining 29,240 non-voting shares held in treasury, these shares will be eliminated and there will be no requirements for the Company to maintain the related participation capital. In addition, all references to participation capital or participation certificates in the Articles of Association will no longer be required. Accordingly, the Company is proposing to delete Article 3b of the Articles of Association to eliminate the participation capital and to delete references to the participation capital, participation certificates or related terms in Articles 6, 7, 8 and 16. An amendment to Article 8 or Article 16 of the Articles of Association requires the affirmative vote of at least 66 2/3% of the votes represented at the Annual Shareholder Meeting.

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. The following summary of the proposed changes to the Company's current Articles of Association is qualified in its entirety by express reference to the text of the Articles 6, 7, 8 and 16 of the Articles of Association, a copy of which has been marked to indicate changes from the Company's current Articles of Association and is attached as *Appendix B* to this Proxy Statement. By voting for the cancellation of the treasury shares, shareholders are also approving the corresponding amendment to our Articles of Association.

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 that shareholders vote FOR the capital reduction by cancellation of 1,538,686 Common Shares and the elimination of 29,240 non-voting Common Shares held in treasury and the corresponding amendment to our Articles of Association.

ELECTION OF DELOITTE & TOUCHE LTD. AS THE COMPANY'S

INDEPENDENT AUDITOR AND DELOITTE AG AS ITS STATUTORY AUDITOR

(Proposal 7 on Proxy Card)

Pursuant to Swiss law, the appointment of our independent and statutory auditors is subject to approval annually by the Company's shareholders. The Company's shareholders must elect an independent auditing firm for purposes of SEC reporting. The Company's shareholders must also elect an auditing firm that will be responsible for auditing the Company's consolidated financial statements and statutory financial statements. At the recommendation of the Audit Committee, your Board unanimously recommends the election of Deloitte & Touche Ltd. as our independent auditor for purposes of SEC reporting and Deloitte AG as our statutory auditor for the fiscal year ending December 31, 2013. Deloitte & Touche Ltd. has served as the Company's independent auditor since April 2002 and Deloitte AG has served as the Company's auditors since May 2010 in connection with the Company redomesticating to Switzerland.

Table of Contents

Representatives of Deloitte & Touche Ltd. and Deloitte AG will attend the Annual Shareholder Meeting and will have an opportunity to make a Swiss statutory disclosure statement if they wish. They will also be available to answer questions at the meeting. If approved, Deloitte & Touche Ltd. and Deloitte AG will serve as the Company’s independent and statutory auditors, respectively, for such compensation as the Audit Committee of your Board shall reasonably determine until the Company’s next Annual Shareholder Meeting.

Your Board unanimously recommends a vote FOR the appointment of Deloitte & Touche Ltd. as the Company’s independent auditor and Deloitte AG as its statutory auditor.

Fees to Independent Registered Public Accountants for Fiscal 2012 and 2011:

The following table shows information about fees billed to us by Deloitte & Touche Ltd. and Deloitte AG and their affiliates for services rendered for the fiscal year ended December 31, 2012 and 2011.

	2012	2011
Audit Fees	\$ 3,729,601	\$ 3,675,881
Audit-Related Fees(1)		388,649
Tax Fees		
All Other Fees		

(1) Audit-Related Fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the Audit Fees category, and includes in 2011, a review of the Company’s taxonomies in relation to its tagging of XBRL filings and due diligence services performed relating to the proposed merger with Transatlantic Holdings, Inc.

The Audit Committee has a policy to pre-approve all audit and non-audit services to be provided by the independent auditors and estimates therefor. The Audit Committee pre-approved all audit services and non-audit services and estimates therefor provided to the Company by the independent auditors in 2012 and 2011.

ELECTION OF PRICEWATERHOUSECOOPERS AG

AS THE COMPANY’S SPECIAL AUDITOR

(Proposal 8 on Proxy Card)

Under Swiss law, special reports by an auditor are required in connection with certain corporate transactions, including certain types of increases in share capital. We have been informed that, because of the auditor independence requirements under U.S. federal securities laws, Deloitte AG cannot act as our special auditing firm with respect to certain types of capital increases.

At the recommendation of the Audit Committee, your Board unanimously recommends the election of PricewaterhouseCoopers AG, an auditor supervised by the Swiss government, as the Company’s special auditing firm until the next Annual Shareholder Meeting. If the Company’s shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal by shareholders.

Your Board unanimously recommends a vote FOR the election of PricewaterhouseCoopers AG as the Company’s special auditors.

APPROVAL OF GRANTING A DISCHARGE TO

THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS FROM LIABILITIES

(Proposal 9 on Proxy Card)

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

As is customary for Swiss corporations and in accordance with Article 698, subsection 2, item 5 of the Swiss Code of Obligations, shareholders are requested to discharge from liability all the individuals who served as members of the Board or as executive officers of the Company for their activities during the fiscal year ended December 31, 2012 that have been disclosed, or are otherwise known, to the shareholders. The release binds only the Company and the shareholders who either voted in favor of the proposal or who subsequently acquired shares with the knowledge of this resolution.

Table of Contents

Under Swiss law, the right of shareholders who do not vote in favor of this proposal to bring an action against the directors and/or executive officers with respect to the matters discharged is extinguished within six months after approval of this proposal by the shareholders.

Your Board unanimously recommends a vote FOR the discharge from liability of all the individuals who served as members of the Board or as executive officers of the Company for their activities during the year ended December 31, 2012.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with MatlinPatterson

In December 2012, the Company through two subsidiaries acquired a minority ownership interest in MatlinPatterson Asset Management L.P. and MatlinPatterson Asset Management (GP) Partners LLC (together, MPAM), which are affiliates of MatlinPatterson Global Advisers LLC, an investment management firm (MatlinPatterson) and a minority ownership interest in each of two additional affiliates of MatlinPatterson (together with MPAM, the MP Companies) for an aggregate purchase price of \$20 million. The Chairman of MPAM and co-founder of MatlinPatterson is Mark R. Patterson, a former director of the Company, who resigned from the Board effective May 25, 2012. Mr. Patterson was not a director of the Company when the Company entered into the agreement to acquire its ownership stake in the MP Companies, nor was Mr. Patterson on the Board when the Company negotiated the potential transaction with the MP Companies. The purchase price in the transaction was determined through arms-length negotiations between the Company and the MP Companies.

In connection with this transaction, the Company has also agreed to invest up to \$500 million, over time, of its investment portfolio in existing and future credit strategies of the MP Companies. Allied World Assurance Company, Ltd has entered into an agreement with an affiliate of MPAM for certain investment management services related to a portion of the Company's investment portfolio. This agreement may be terminated by either party upon 30 days prior written notice. Either party may terminate this agreement immediately if the other party commits a material breach that remains uncured for more than 30 days after receiving written notice of such breach. Additionally, Allied World Assurance Company, Ltd may terminate this agreement immediately for cause or upon a change in control of MPAM. In 2012, Allied World Assurance Company, Ltd incurred fees of \$0.1 million under this agreement. Our Investment Committee periodically reviews the performance of all of the Company's investment managers.

The Company believes that these transactions were carried out on terms that are substantially similar to those that would have been obtained by an unrelated third party in similar transactions. In addition, the Company received a fairness opinion from an independent third party with regard to its acquisition of a minority ownership interest in the MP Companies.

Transactions with Affiliates of BlackRock, Inc.

BlackRock Inc. (BlackRock) first filed a Schedule 13G with the SEC on February 9, 2012 to report its ownership of over 5% of the Common Shares. Prior to BlackRock acquiring its ownership interest in us, we had entered into agreements in the ordinary course of business with affiliates of BlackRock to provide certain services as discussed below.

Investment Accounting

As of April 1, 2009, Allied World Assurance Company, Ltd entered into an amended and restated accounting services agreement with BlackRock Financial Management Inc. (BlackRock Financial) for certain accounting services related to the Company's investment portfolio. Beginning April 1, 2012, this agreement automatically renews for successive one-year terms unless either party provides a written notice to terminate at least 60 days in advance of the expiration of a current term. Either party may terminate this agreement before a scheduled termination date if the other party commits a material breach that remains uncured for more than 30 days after receiving written notice of such breach. In 2012, Allied World Assurance Company, Ltd incurred fees of \$0.8 million under this agreement.

Table of Contents

Risk Measurement of Investment Portfolio

As of April 1, 2009, Allied World Assurance Company, Ltd also entered into an agreement with BlackRock Financial for certain risk measurement reporting services related to the Company's investment portfolio. Beginning April 1, 2012, this agreement automatically renews for successive one-year terms unless either party provides a written notice to terminate at least 90 days in advance of the expiration of a current term. Either party may terminate this agreement before a scheduled termination date if the other party commits a material breach that remains uncured for more than 30 days after receiving written notice of such breach. In 2012, Allied World Assurance Company, Ltd incurred fees of \$1.1 million under this agreement.

Investment Management Services

As of September 27, 2011, Allied World Assurance Company, Ltd entered into an agreement with BlackRock Financial for certain investment management services related to a portion of the Company's investment portfolio. This agreement may be terminated by either party upon 30 days prior written notice. Either party may terminate this agreement immediately if the other party commits a material breach that remains uncured for more than 30 days after receiving written notice of such breach. Additionally, Allied World Assurance Company, Ltd may terminate this agreement immediately for cause or upon a change in control of BlackRock Financial. In 2012, Allied World Assurance Company, Ltd incurred fees of \$1.5 million under this agreement. Our Investment Committee periodically reviews the performance of all of the Company's investment managers.

Transactions with BlackRock in the Ordinary Course of Business

BlackRock from time-to-time has entered into insurance policies with subsidiaries of the Company. All of these transactions are entered into in the ordinary course of business on substantially the same terms as those offered to other customers. In 2012, BlackRock paid premiums to us of approximately \$0.8 million for such policies.

Review, Approval or Ratification of Transactions with Related Persons

Pursuant to our Audit Committee charter, the Audit Committee reviews and approves the related-party transactions we enter into. We do not have formal written standards in connection with the review and approval of related-party transactions as we believe each transaction should be analyzed on its own merits. In making its decision, the Audit Committee reviews, among other things, the relevant agreement, analyzes the specific facts and circumstances and speaks with, or receives a memorandum from, management that outlines the background and terms of the transaction. As insurance and reinsurance companies enter into various transactions in the ordinary course of business, the Audit Committee does not review these types of transactions to the extent they are open-market transactions that happen to involve related parties.

Table of Contents**PRINCIPAL SHAREHOLDERS**

The table below sets forth information as of March 1, 2013 regarding the beneficial ownership of our Common Shares by:

each person known by us to beneficially own more than 5% of our outstanding Common Shares,

each of our directors,

our Chief Executive Officer (CEO), our Chief Financial Officer (CFO), our former CFO (who left the Company as of December 31, 2012) and our three other most highly compensated officers who were serving as executive officers at the end of our 2012 fiscal year (collectively, our named executive officers or NEOs), and

all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Beneficial Owner of Common Shares(1)	
	Number of Common Shares	Percentage of Common Shares
Artisan Partners Holdings LP(2) 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202	2,022,733	5.8%
BlackRock, Inc.(3) 40 East 52 nd Street, New York, NY 10022	2,115,179	6.1%
ClearBridge Investments LLC(4) 620 8 th Avenue, New York, NY 10018	1,819,007	5.2%
FMR LLC (5) 82 Devonshire Street, Boston, MA 02109	1,859,391	5.4%
The Vanguard Group, Inc.(6) 100 Vanguard Blvd., Malvern, PA 19355	2,119,531	6.1%
Barbara T. Alexander	5,772	*
Scott A. Carmilani	459,574(7)	1.3%
James F. Duffy	10,640	*
Bart Friedman	11,932	*
Scott Hunter	9,802	*
Patrick de Saint-Aignan	6,437	*
Samuel J. Weinhoff	11,661	*
Thomas A. Bradley		*
Wesley D. Dupont	87,364(8)	*
Frank N. D. Orazio	61,294(9)	
W. Gordon Knight	48,476(10)	*
Joan H. Dillard	152,851(11)	*
All directors and executive officers as a group (15 persons)	893,307(12)	2.6%

* Less than 1%.

(1)

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

Pursuant to the regulations promulgated by the SEC, our Common Shares are deemed to be beneficially owned by a person if such person directly or indirectly has or shares the power to vote or dispose of our Common Shares, whether or not such person has any pecuniary interest in our Common Shares, or the right to acquire the power to vote or dispose of our Common Shares within 60 days of March 1, 2013, including any right to acquire through the exercise of any option, warrant or right. As of March 1, 2013, we had 34,668,260 Common Shares issued and outstanding. All amounts listed represent sole voting and dispositive power unless otherwise indicated.

Table of Contents

- (2) Based on information reported on Schedule 13G/A, as filed with the SEC on February 6, 2013 jointly by Artisan Partners Holdings LP (Artisan Holdings), Artisan Investment Corporation (Artisan Corp.), Artisan Partners Limited Partnership (Artisan Partners), Artisan Investments GP LLC (Artisan Investments), ZFIC, Inc (ZFIC) and Andrew A. Ziegler and Carlene M. Ziegler, the principal stockholders of ZFIC (who, together with Artisan Holdings, Artisan Corp., Artisan Partners, Artisan Investments and ZFIC are referred to herein as the Artisan Parties), the Artisan Parties are the beneficial owners of 2,022,733 Common Shares acquired on behalf of discretionary clients of Artisan Holdings and Artisan Partners who have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. To the knowledge of the Artisan Parties, no such client was known to have an economic interest in more than 5% of the Common Shares. According to this Schedule 13G/A, the Artisan Parties have the following dispositive powers with respect to the Common Shares: (a) sole voting power: none; (b) shared voting power: 1,938,450; (c) sole dispositive power: none; and (d) shared dispositive power: 2,022,733.
- (3) Based on information reported on Schedule 13G/A, as filed by BlackRock with the SEC on February 6, 2013, BlackRock and its subsidiaries are the beneficial owners of 2,115,179 Common Shares. Various persons have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. To the knowledge of BlackRock, no one person was known to have an economic interest in more than 5% of the Common Shares. According to this Schedule 13G/A, BlackRock has sole voting power and sole dispositive power over 2,115,179 Common Shares and has no shared voting power and no shared dispositive power over any of these shares.
- (4) Based on information reported on Schedule 13G/A, as filed by ClearBridge Investments, LLC, an investment advisor (ClearBridge), with the SEC on February 14, 2013, ClearBridge has sole voting power over 1,808,479 Common Shares, sole dispositive power over 1,819,007 Common Shares and has no shared voting power and no shared dispositive power over any of these shares.
- (5) Based on information reported on Schedule 13G, as filed by FMR LLC (FMR) and Edward C. Johnson III with the SEC on February 14, 2013, FMR, Mr. Johnson and Fidelity Management & Research Company are the beneficial owners of 1,859,391 Common Shares. Various persons have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. To the knowledge of FMR and Mr. Johnson, no one person was known to have an economic interest in more than 5% of the Common Shares. According to this Schedule 13G/A, FMR has sole voting power over 10,071 Common Shares and sole dispositive power over 1,859,391 Common Shares and has no shared voting power and no shared dispositive power over any of these shares.
- (6) Based on information reported on Schedule 13G, as filed by The Vanguard Group, Inc. (Vanguard) with the SEC on February 21, 2013, Vanguard has the following powers with respect to the Common Shares: (a) sole voting power: 26,617; (b) shared voting power: none; (c) sole dispositive power: 2,094,614; and (d) shared dispositive power: 24,917.
- (7) Includes stock options exercisable to purchase 48,735 Common Shares.
- (8) Includes stock options exercisable to purchase 28,255 Common Shares.
- (9) Includes stock options exercisable to purchase 2,677 Common Shares.
- (10) Includes stock options exercisable to purchase 21,795 Common Shares.
- (11) Ms. Dillard's holdings are reported as of December 31, 2012, the date she ceased to be employed by the Company, and consequently her shares are not included in the aggregate total provided in the table above.

(12) Includes stock options exercisable to purchase 132,433 Common Shares.

Table of Contents**EXECUTIVE OFFICERS**

Our executive officers are elected by and serve at the discretion of your Board. The following table identifies the executive officers of the Company, including their respective ages and positions as of the date hereof.

Name	Age	Position
Scott A. Carmilani(1)	48	President, Chief Executive Officer and Chairman of the Board
John R. Bender	48	President, Allied World Reinsurance Management Company
Thomas A. Bradley	55	Executive Vice President & Chief Financial Officer
Wesley D. Dupont	44	Executive Vice President & General Counsel
Frank N. D. Orazio	44	President-Bermuda and International Insurance, Allied World Assurance Company, Ltd
John J. Gauthier	51	Executive Vice President & Chief Investment Officer
Marshall J. Grossack	53	President, Allied World Financial Services Executive Vice President-Chief Actuary
W. Gordon Knight	54	President, Allied World Assurance Company (U.S.) Inc and Allied World National Assurance Company
John J. McElroy	48	Chief Operating Officer

(1) Please see Mr. Carmilani's biography under "Election of Directors" earlier in this Proxy Statement.

John R. Bender has been the President of the Allied World Reinsurance Management Company since February 2012 and oversees the Company's reinsurance platform on a global basis. From August 2009 to February 2012, he served as the President and Chief Operating Officer of Allied World Reinsurance Company, a subsidiary of the Company. He joined us in November 2007 as the Chief Operating Officer of Allied World Reinsurance Company. From November 2007 through November 2011, Mr. Bender was responsible for establishing and expanding the Company's U.S. reinsurance platform and for overseeing its day-to-day operations. Since December 2011, Mr. Bender has assumed responsibility for providing strategic leadership and executing business strategies for the Company's global reinsurance operations. Prior to joining us, Mr. Bender held several senior management positions at Platinum Underwriters Holdings, Ltd., including Chief Underwriting Officer, Casualty from November 2005 to October 2007 and Senior Vice President, Commercial Liability Products from October 2002 to November 2005. From 1989 to October 2002, he held numerous claims and underwriting positions with St. Paul Reinsurance Management Company.

Thomas A. Bradley joined the Company as Executive Vice President & Chief Financial Officer in September 2012. Prior to joining us, Mr. Bradley had served as the Chief Financial Officer of Dorsey & Whitney LLP, a large international law firm, since August 2011. From April 2009 to April 2011, Mr. Bradley served in various financial positions at the Fair Isaac Corporation, a business services company, including as its Executive Vice President and Chief Financial Officer. From April 2004 to February 2009, Mr. Bradley served in various financial and operational positions at Zurich Financial North America, a financial services company, including as its Executive Vice President and Chief Financial Officer. Prior to that, he held a host of senior financial and operational positions at USF&G Corporation/St Paul Companies.

Wesley D. Dupont has been our Executive Vice President & General Counsel since September 2009 and presently oversees the Company's legal, compliance, claims and human resources functions on a global basis. From December 2005 to September 2009, he served as our Senior Vice President, General Counsel and served as the

Table of Contents

Company's Corporate Secretary through May 2012. In November 2003, Mr. Dupont began working for American International Company Limited, a subsidiary of AIG, and began providing legal services to us pursuant to a former administrative services contract with American International Company Limited. Through that contract, Mr. Dupont served as our Senior Vice President, General Counsel and Secretary from April 2004 until November 30, 2005. As of December 1, 2005, Mr. Dupont became an employee of our Company. Prior to joining American International Company Limited, Mr. Dupont worked as an attorney at Paul, Hastings, Janofsky & Walker LLP, a large international law firm, where he specialized in general corporate and securities law. From April 2000 to July 2002, Mr. Dupont was a Managing Director and the General Counsel for Fano Securities, LLC, a specialized securities brokerage firm. Prior to that, Mr. Dupont worked as an attorney at Kelley Drye & Warren LLP, another large international law firm, where he also specialized in general corporate and securities law.

Frank N. D. Orazio has been the President Bermuda and International Insurance of Allied World Assurance Company, Ltd, a subsidiary of the Company, since September 2009 where he is responsible for providing strategic leadership and executing business strategies for the Bermuda, Europe and Asia insurance platforms. Prior to that, he served as the Chief Underwriting Officer of Allied World Assurance Company, Ltd since September 2008. From March 2005 to September 2008, Mr. D. Orazio was the company's Senior Vice President General Casualty where he was responsible for managing the company's general casualty and healthcare operations in Bermuda, Europe and the United States. Mr. D. Orazio joined the company in June 2003 as Vice President General Casualty. Prior to joining our company, Mr. D. Orazio worked for the retail insurance market arm of American Re-Insurance from August 1994 to May 2003, where he held a succession of underwriting and management positions. Mr. D. Orazio held various underwriting positions in the excess casualty division of Chubb from June 1990 to July 1994.

John J. Gauthier, CFA, has been our Executive Vice President & Chief Investment Officer since May 2011 and oversees the management of the Company's investment portfolio. In September 2012, he was also named President of Allied World Financial Services, Inc. and Allied World Financial Services, Ltd, subsidiaries of the Company. Since March 2010, he has served as the Executive Vice President and Chief Investment Officer of AWAC Services Company, a subsidiary of the Company. From October 2008 through February 2010, he served as Senior Vice President and Chief Investment Officer of AWAC Services Company. Previous to joining our company, Mr. Gauthier was Global Head of Insurance Fixed Income Portfolio Management at Goldman Sachs Asset Management from February 2005 to September 2008. Prior to that position, from 1997 to January 2005 he was Managing Director and Portfolio Manager at Conning Asset Management where he oversaw investment strategy for all property and casualty insurance company clients. Mr. Gauthier also served as Vice President at General Reinsurance/New England Asset Management, as well as a Portfolio Manager at General Reinsurance.

Marshall J. Grossack has been our Executive Vice President-Chief Actuary since September 2009. He served as our Senior Vice President and Chief Corporate Actuary from July 2004 to September 2009. From June 2002 until July 2004, Mr. Grossack was a Vice President and Actuary for American International Company Limited, a subsidiary of AIG, and provided services to us pursuant to a former administrative services contract with American International Company Limited. From June 1999 until June 2002, Mr. Grossack worked as the Southwest Region Regional Actuary for subsidiaries of AIG in Dallas, Texas.

W. Gordon Knight has been President of Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company since May 2008. He joined Allied World National Assurance Company as President, U.S. Operations, Distribution and Marketing in January 2008. Prior to joining us, Mr. Knight was the President of Sales & Marketing for AIG Domestic Brokerage Group from 2005 to January 2008. Prior to that, he was President of AIG WorldSource since 2000. Mr. Knight was also the Executive Vice President of Regional Operations for Commercial Lines for American International Underwriters, Japan and held various other senior management positions during his 26 years at AIG.

John J. McElroy was appointed the Chief Operating Officer of the Company in March 2012. In this role, he oversees the Company's operations and administration, information technology, ceded reinsurance and project management on a global basis. From May 2008 through February 2012, Mr. McElroy served as President, Professional Lines, of Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company and oversaw the underwriting of all directors and officers liability, errors and omissions liability and

Table of Contents

medical malpractice liability insurance products by the Company's U.S. insurance operations. From June 2004, when he joined us, through April 2008, Mr. McElroy served as our Senior Vice President, Field Operations Officer, during which time he was responsible for expanding the Company's U.S. insurance operations, developing its network of U.S. offices and increasing brand and product visibility. Prior to joining the Company, Mr. McElroy worked with Gulf Insurance Group for 12 years where he held various underwriting and other senior management positions. He began his career at AIG underwriting directors and officers liability insurance for large commercial risks.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

Overview. We are an insurance and reinsurance company that underwrites a diversified portfolio of property and casualty insurance and reinsurance lines of business.

In accordance with the rules of the NYSE, a majority of the members of the Board are independent and the Compensation Committee is presently comprised of six independent Board members. The Board has adopted a Compensation Committee Charter discussed elsewhere in this Proxy Statement. The Compensation Committee oversees our compensation programs and makes recommendations to the Board. Pursuant to Swis