

ALLIED WORLD ASSURANCE CO HOLDINGS LTD

Form 424B2

November 09, 2010

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(2)
Registration No. 333-148409**

Subject to Completion, dated November 9, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus dated December 31, 2007)

\$

Allied World Assurance Company Holdings, Ltd

% Senior Notes due 2020

We are offering \$ million aggregate principal amount of our % senior notes due 2020. We will pay interest on the notes on May 15 and November 15 of each year, beginning May 15, 2011. The notes will mature on , 2020. We may redeem some or all of the notes at any time and from time to time at the redemption price described in this prospectus supplement under the heading Description of Notes Optional Redemption. We may also redeem all of the notes if certain tax events occur as described in this prospectus supplement under the heading Description of Notes Redemption for Changes in Withholding Taxes. The notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The notes will be our unsecured and unsubordinated obligations and will rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively junior to all our future secured debt, to the extent of the value of the collateral securing such debt, and will rank senior to all our existing and future subordinated debt. The notes will be effectively subordinated to all existing and future obligations (including to policyholders, trade creditors, debt holders and taxing authorities) of our subsidiaries.

Investing in the notes involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement and on page 5 of the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Per Note	Total
Public offering price (1)	%	\$

Underwriting discount	%	\$
Proceeds, before expenses, to us (1)	%	\$

(1) Plus accrued interest, if any, from November , 2010, if settlement occurs after that date.

None of the U.S. Securities and Exchange Commission (the Commission), any state securities commission or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company (DTC) and its participants, which may include Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., against payment in New York, New York on or about November , 2010.

BofA Merrill Lynch

Wells Fargo Securities

Deutsche Bank Securities

The date of this prospectus supplement is November , 2010.

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You should carefully read this prospectus supplement and the accompanying prospectus delivered with this prospectus supplement. You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any free writing prospectus that we may provide you in connection with the sale of the notes offered hereby. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference is accurate as of any date other than their respective dates. Our business, financial conditions, results of operations and prospects may have changed since those dates.

No offered securities may be offered or sold in Bermuda and offers may only be accepted from persons resident in Bermuda, for Bermuda exchange control purposes, where such offers have been delivered outside of Bermuda.

GENERAL PERMISSION UNDER THE BERMUDA EXCHANGE CONTROL ACT 1972 (AND ITS RELATED REGULATIONS) HAS BEEN GRANTED BY THE BERMUDA MONETARY AUTHORITY PURSUANT TO A NOTICE TO THE PUBLIC ISSUED BY THE BERMUDA MONETARY AUTHORITY ON 1 JUNE 2005 FOR THE ISSUE AND TRANSFER OF OUR NOTES TO AND BETWEEN NON-RESIDENTS OF BERMUDA FOR EXCHANGE CONTROL PURPOSES. THIS PROSPECTUS WILL BE FILED WITH THE REGISTRAR OF COMPANIES IN BERMUDA IN ACCORDANCE WITH BERMUDA LAW. IN GRANTING SUCH CONSENT AND IN ACCEPTING THIS PROSPECTUS FOR FILING, NEITHER THE BERMUDA MONETARY AUTHORITY NOR THE REGISTRAR OF COMPANIES IN BERMUDA ACCEPTS ANY RESPONSIBILITY FOR OUR FINANCIAL SOUNDNESS OR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS.

In this prospectus supplement, references to Allied World , we , us , our or the Company refer to Allied World Assurance Company Holdings, Ltd and when the context so requires, Allied World Assurance Company Holdings, Ltd and its subsidiaries. In this prospectus supplement, references to dollar and \$ are to United States currency, and the terms United States and U.S. mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus that gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In addition, you should review the risks of investing in our senior notes (the notes) discussed in this prospectus supplement, as well as the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2009 incorporated herein by reference, prior to making an investment decision. Important information is incorporated into this prospectus supplement and the accompanying prospectus by reference. You may obtain the information incorporated by reference into this prospectus supplement and the accompanying prospectus without charge by following the instructions under Where You Can Find More Information.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, including the information incorporated by reference herein, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us.

In particular, statements using words such as may, should, estimate, expect, anticipate, intends, believe, potential or words of similar import generally involve forward-looking statements. In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this prospectus supplement should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including those contained under Note on Forward-Looking Statements in our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated herein by reference.

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This summary highlights selected information about Allied World and this offering. It does not contain all of the information that may be important to you in deciding whether to purchase notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the Commission that are incorporated by reference prior to deciding whether to purchase notes.

Allied World Assurance Company Holdings, Ltd

We are a Bermuda-based specialty insurance and reinsurance company that underwrites a diversified portfolio of property and casualty lines of business through offices located in Bermuda, Hong Kong, Ireland, Singapore, Switzerland, the United Kingdom and the United States. For the nine months ended September 30, 2010 and the year ended December 31, 2009, our gross premiums written were \$1,376.5 million and \$1,696.3 million, respectively, and our net income was \$572.2 million and \$606.9 million, respectively. As of September 30, 2010, we had total assets and consolidated shareholders' equity of approximately \$10.5 billion and \$3.3 billion, respectively. Our principal executive office is located at 27 Richmond Road, Pembroke HM 08, Bermuda, and our telephone number is (441) 278-5400.

We were formed in November 2001 by a group of investors, including American International Group, Inc., The Chubb Corporation, certain affiliates of The Goldman Sachs Group, Inc. and an affiliate of Swiss Reinsurance Company. Since our formation, we have focused primarily on the direct insurance markets. We offer our clients and producers significant capacity in both the direct property and casualty insurance markets as well as the reinsurance market. We have undergone significant corporate expansion since our formation, and we now have 16 offices located in eight different countries.

We have three business segments: U.S. insurance, international insurance and reinsurance. These segments and their respective lines of business and products may, at times, be subject to different underwriting cycles. We modify our product strategy as market conditions change and new opportunities emerge by developing new products, targeting new industry classes or de-emphasizing existing lines. Our diverse underwriting skills and flexibility allow us to concentrate on the business lines where we expect to generate the greatest returns. The following table sets forth our gross premiums written by segment for the nine months ended September 30, 2010 and the year ended December 31, 2009.

	Nine Months Ended September 30, 2010		Year Ended December 31, 2009	
	Gross Premiums Written (\$ in millions)	% of Total	Gross Premiums Written (\$ in millions)	% of Total
U.S. Insurance	\$533.0	38.7%	\$674.8	39.8%
International Insurance	389.9	28.3	555.9	32.8
Reinsurance	453.6	33.0	465.6	27.4
Total	\$1,376.5	100.0%	\$1,696.3	100.0%

For the nine months ended September 30, 2010, reinsurance business represented 33.0% of our gross premiums written and insurance business represented 67.0% of our gross premiums written. For the nine months ended September 30, 2010, property lines represented 26.8% and casualty lines represented 73.2% of our gross premiums written.

Ratings are an important factor in establishing the competitive position of insurance and reinsurance companies. A.M. Best, Moody's and Standard & Poor's have each developed a rating system to provide an opinion of an insurer's or reinsurer's financial strength and ability to meet ongoing obligations to its policyholders. Each rating reflects the rating agency's opinion of the capitalization, management and sponsorship of the entity to which it relates, and is neither an evaluation directed to investors in our common shares nor a recommendation to buy, sell or hold our common shares. All of our principal operating subsidiaries have financial strength ratings of A (Excellent) from A.M. Best.

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The Offering

*The terms of the notes are summarized below solely for your convenience. Because the following summary is not complete, you should refer to the indenture among Allied World, as issuer, and The Bank of New York Mellon, as trustee, as supplemented by a supplemental indenture, for a complete description of the terms of the notes. You should also read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the notes, see the discussion under the caption *Description of Notes* beginning on page S-10 of this prospectus supplement.*

Issuer	Allied World Assurance Company Holdings, Ltd
Securities Offered	\$ million aggregate principal amount of % senior notes due 2020.
Interest Rate	% per year.
Interest Payment Dates	Semi-annually on each May 15 and November 15, commencing May 15, 2011.
Maturity	, 2020.
Ranking	<p>The notes will be our unsecured and unsubordinated obligations and will rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively junior to all our future secured debt, to the extent of the value of the collateral securing such debt, and will rank senior to all our existing and future subordinated debt.</p> <p>We currently conduct substantially all of our operations through our subsidiaries and our subsidiaries generate substantially all of our operating income and cash flow. The notes will not be guaranteed by any of our subsidiaries and will be effectively subordinated to all existing and future obligations (including to policyholders, trade creditors, debt holders and taxing authorities) of our subsidiaries.</p> <p>As of September 30, 2010, after giving effect to this offering of notes, our outstanding consolidated indebtedness for money borrowed would be \$ million. As of September 30, 2010, after giving effect to this offering of notes, the consolidated liabilities of our subsidiaries reflected on our balance sheet would be \$6,649.0 million. All such liabilities (including to policyholders, trade creditors, debt holders and taxing authorities) of our subsidiaries would be effectively senior to the notes.</p>
Optional Redemption	We may redeem some or all of the notes at any time at our option on not less than 30 nor more than 60 days notice, at a make-whole redemption price described in <i>Description of Notes Optional Redemption</i> in this prospectus supplement.
Use of Proceeds	We intend to use the net proceeds from this offering for general corporate purposes, which may include the repurchase of our

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outstanding common shares (including our announced repurchase of 3,159,793 common shares and warrants to purchase an additional 1,500,000 common shares held by certain GS Capital Partners and other investment funds, which are affiliates of The Goldman Sachs Group, Inc.), dividends to our shareholders or potential acquisitions. See **Use of Proceeds** in this prospectus supplement.

Additional Amounts

Subject to certain limitations and exceptions, all payments of principal and of premium, if any, interest and any other amounts on, or in respect of, the notes shall be made without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature with respect to payments made by Allied World Assurance Company Holdings, Ltd imposed by or on behalf of Bermuda or any other jurisdiction in which Allied World Assurance Company Holdings, Ltd or any guarantor of the notes is organized or in which our principal executive offices are located. See **Description of Notes Payment of Additional Amounts**.

Tax redemption

We may redeem all of the notes at any time if certain tax events occur as described in **Description of Notes Redemption for Changes in Withholding Taxes**.

Form and denomination

Notes will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company (**DTC**) or its nominee. Notes sold will be issuable in denominations of \$2,000 or any integral multiples of \$1,000 in excess thereof.

Covenants

The indenture under which the notes will be issued will not contain any financial covenants or any provisions restricting us or our subsidiaries from purchasing or redeeming share capital. In addition, we will not be required to repurchase, redeem or modify the terms of any of the notes upon a change of control or other event involving us, which may adversely affect the value of the notes. In addition, the indenture will not limit the aggregate principal amount of debt securities we may issue under it, and we may issue additional debt securities in one or more series.

Risk Factors

Investing in the notes involves certain risks. See **Risk Factors** beginning on page S-4 of this prospectus supplement.

Trustee and Paying Agent

The Bank of New York Mellon.

Governing Law

The State of New York.

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RISK FACTORS

Your investment in the notes will involve a degree of risk, including those risks that are described in this section. The risks and uncertainties described below are not the only ones relevant to an investment in the notes. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occurs, our business, financial condition and results of operations could be materially affected. In that case, the value of the notes could decline substantially. You should carefully consider the following discussion of risks as well as the risks in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated into this prospectus supplement by reference, before deciding whether an investment in the notes is suitable for you. These risk factors update and replace the risk factors in the accompanying prospectus under the caption "Risk Factors."

An Active Trading Market for the Notes may not Develop.

The notes constitute a new issue of securities with no established trading market. The notes are not listed, and we do not plan to apply to list the notes on any national securities exchange or to include them in any automated quotation system. We have been advised by the underwriters that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop or be sustained or that holders of the notes will be able to sell their notes at favorable prices or at all. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Our Obligations Under the Notes are Unsecured and Subordinated in Right of Payment to any Secured Debt that We may Incur in the Future.

The notes will be our unsecured and unsubordinated obligations and will:

rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness;

be effectively junior to all our future secured debt, to the extent of the value of the collateral securing such debt; and

not be guaranteed by any of our subsidiaries and, therefore, will be effectively subordinated to all existing and future obligations (including to policyholders, trade creditors, debt holders and taxing authorities) of our subsidiaries.

As a result, in the event of the bankruptcy, liquidation or reorganization of Allied World Assurance Company Holdings, Ltd or upon acceleration of the notes due to an event of default, Allied World Assurance Company Holdings, Ltd's assets will be available to pay its obligations on the notes only after all secured indebtedness has been paid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding.

Because the Notes will not be Guaranteed by any of Our Subsidiaries, the notes will be Effectively Subordinated to the Obligations of Our Subsidiaries.

We are a holding company whose assets primarily consist of the shares in our subsidiaries and we conduct substantially all of our business through our subsidiaries. Because our subsidiaries are not

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guaranteeing our obligations under the notes, holders of the notes will have a junior position to the claims of creditors of our subsidiaries (including insurance policyholders, trade creditors, debt holders and taxing authorities) on their assets and earnings. All obligations (including insurance obligations) of our subsidiaries would be effectively senior to the notes. As a result, in the event of the bankruptcy, liquidation or reorganization of Allied World Assurance Company Holdings, Ltd or upon acceleration of the notes due to an event of default, Allied World Assurance Company Holdings, Ltd's subsidiaries' assets will be available to pay its obligations on the notes only after all of the creditors of those subsidiaries have been paid in full. As of September 30, 2010, after giving effect to this offering of notes, the consolidated liabilities of our subsidiaries reflected on our balance sheet would be \$6,649.0 million. All such liabilities (including to policyholders, trade creditors, debt holders and taxing authorities) of our subsidiaries would be effectively senior to the notes.

Allied World Assurance Company Holdings, Ltd will Depend upon Dividends from its Subsidiaries to Meet its Obligations under the Notes.

Allied World Assurance Company Holdings, Ltd's ability to meet its obligations under the notes will be dependent upon the earnings and cash flows of its subsidiaries and the ability of the subsidiaries to pay dividends or to advance or repay funds to Allied World Assurance Company Holdings, Ltd. Dividends and other permitted distributions from its insurance subsidiaries are expected to be the main source of funds to meet its obligations under the notes. Allied World Assurance Company Holdings, Ltd's insurance subsidiaries are subject to significant regulatory restrictions limiting their ability to declare and pay any dividends.

The inability of its subsidiaries to pay dividends to Allied World Assurance Company Holdings, Ltd in an amount sufficient to enable it to meet its cash requirements at the holding company level could have a material adverse effect on its operations and ability to satisfy its obligations to you under the notes. Dividend payments and other distributions from the subsidiaries of Allied World Assurance Company Holdings, Ltd may also be subject to withholding tax.

We may Incur Additional Indebtedness that could Limit the Amount of Funds Available to Make Payments on the Notes.

Neither the notes nor the indenture prohibit or limit the incurrence of secured or senior indebtedness or the incurrence of other indebtedness and liabilities by us. Any additional indebtedness or liabilities so incurred would reduce the amount of funds we would have available to pay our obligations under the notes.

The Supplemental Indenture and Indenture under which the Notes will be Issued will Contain only Limited Protection for Holders of the Notes in the Event we are Involved in a Highly Leveraged Transaction, Reorganization, Restructuring, Merger, Amalgamation or Similar Transaction in the Future.

The supplemental indenture and the indenture under which the notes will be issued may not sufficiently protect holders of notes in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger, amalgamation or similar transaction. The supplemental indenture and the indenture will not contain any provisions restricting our ability to:

incur additional debt, including debt effectively senior in right of payment to the notes;

pay dividends on or purchase or redeem share capital;

sell assets (other than certain restrictions on our ability to consolidate, merge, amalgamate or sell all or substantially all of our assets and our ability to sell the shares of certain subsidiaries);

enter into transactions with affiliates;

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create liens (other than certain limitations on creating liens on the shares of certain subsidiaries) or enter into sale and leaseback transactions; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Additionally, the supplemental indenture and the indenture will not require us to offer to purchase the notes in connection with a change of control or require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth.

The Notes may be Redeemed Prior to Maturity, which may Adversely Affect your Return on the Notes.

The notes may be redeemed in whole or in part on one or more occasions at any time. Redemption may occur at a time when prevailing interest rates are relatively low. If this happens, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the redeemed notes. See Description of Notes Optional Redemption in this prospectus supplement for a more detailed discussion of redemption of the notes.

U.S. Persons who own Our Notes may have more Difficulty in Protecting their Interests than U.S. Persons who are Creditors of a U.S. Corporation.

Creditors of a company in Bermuda, such as Allied World Assurance Company Holdings, Ltd, may enforce their rights against the company by legal process in Bermuda. The creditor would first have to obtain a judgment in its favor against Allied World Assurance Company Holdings, Ltd by pursuing a legal action against Allied World Assurance Company Holdings, Ltd in Bermuda. This would entail retaining attorneys in Bermuda and (in the case of a plaintiff who is a U.S. person) pursuing an action in a jurisdiction that would be foreign to the plaintiff. Pursuing such an action could be more costly than pursuing corresponding proceedings against a U.S. person.

Appeals from decisions of the Supreme Court of Bermuda (the first instance court for most civil proceedings in Bermuda) may be made in certain cases to the Court of Appeal for Bermuda. In turn, appeals from the decisions of the Court of Appeal may be made in certain cases to the English Privy Council. Rights of appeal in Bermuda may be more restrictive than rights of appeal in the United States.

In the Event that we Become Insolvent, the Rights of a Creditor Against Us would be Severely Impaired.

In the event of our insolvent liquidation (or appointment of a provisional liquidator), a creditor may pursue legal action only upon obtaining permission to do so from the Supreme Court of Bermuda. The rights of creditors in an insolvent liquidation will extend only to proving a claim in the liquidation and receiving a dividend *pro rata* along with other unsecured creditors to the extent of our available assets (after the payment of costs of the liquidation). However, creditors are not prevented from taking action against the Company in places outside Bermuda unless there has been an injunction preventing them from doing so in that particular place. Any judgment thus obtained may be capable of enforcement against the Company's assets located outside Bermuda.

The impairment of the rights of an unsecured creditor may be more severe in an insolvent liquidation in Bermuda than would be the case where a U.S. person has a claim against a U.S. corporation which becomes insolvent. This is so mainly because in the event of an insolvency, Bermuda law may be more generous to secured creditors (and hence less generous to unsecured creditors) than U.S. law. The rights of secured creditors in an insolvent liquidation in Bermuda remain largely unimpaired, with the result that secured creditors will be paid in full to the extent of the value of the security they hold. Another possible consequence of the favorable treatment of secured creditors under Bermuda insolvency law is that a rehabilitation of an

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insolvent company in Bermuda may be more difficult to achieve than the rehabilitation of an insolvent U.S. corporation.

It may be Difficult to Enforce Service of Process and Enforce Judgments Against Us and Our Officers and Directors.

Our company is a Bermuda company and it may be difficult for investors in the notes to enforce judgments against us or our directors and executive officers.

We are incorporated pursuant to the laws of Bermuda and our business is based in Bermuda. In addition, certain of our directors and officers reside outside the United States, and all or a substantial portion of our assets and the assets of such persons are located in jurisdictions outside the United States. As such, it may be difficult or impossible to effect service of process within the United States upon us or those persons or to recover against us or them on judgments of U.S. courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws.

Further, no claim may be brought in Bermuda against us or our directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

We have been advised by Conyers Dill & Pearman Limited, our Bermuda legal counsel, that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as the experts named herein, predicated upon the civil liability provisions of the U.S. federal securities laws or original actions brought in Bermuda against us or such persons predicated solely upon U.S. federal securities laws. Further, we have been advised by Conyers Dill & Pearman Limited that there is no treaty in effect between the United States and Bermuda providing for the enforcement of judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for investors to recover against us based upon such judgments.

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We expect that the net proceeds from this offering, after deducting the underwriting discounts and commissions and estimated expenses payable by us, will be approximately \$. We intend to use the net proceeds from this offering for general corporate purposes (exclusively outside of Switzerland), including the repurchase of our outstanding common shares (including our announced repurchase of 3,159,793 common shares and warrants to purchase an additional 1,500,000 common shares held by certain GS Capital Partners and other investment funds, which are affiliates of The Goldman Sachs Group, Inc.), dividends to our shareholders or potential acquisitions.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of our earnings to fixed charges for each of the periods indicated:

	Nine Months Ended September 30, 2010	Fiscal Year Ended December 31,				
	2009	2008	2007	2006	2005 (2)	
Ratio of Earnings to Fixed Charges (1)	22.0	17.5	5.5	13.4	14.8	(9.3)

(1) For purposes of determining this ratio, earnings consist of consolidated net income before federal income taxes plus fixed charges. Fixed charges consist of interest expense on our former bank loan that was repaid from the proceeds of our initial public offering in July 2006, interest on our outstanding 7.50% senior notes due 2016 and interest on a borrowing under our senior credit facility.

(2) For the year ended December 31, 2005, earnings were insufficient to cover fixed charges by \$175.8 million.

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The following table sets forth our consolidated capitalization at September 30, 2010, on a historical basis and as adjusted to give effect to the offering of the notes and the application of the estimated net proceeds therefrom, including our announced repurchase of 3,159,793 common shares and warrants to purchase an additional 1,500,000 common shares held by certain GS Capital Partners and other investment funds, which are affiliates of The Goldman Sachs Group, Inc. See Use of Proceeds. This table should be read in conjunction with our consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which can be found in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Report on Form 10-Q for the period ended September 30, 2010, which are incorporated into this prospectus supplement by reference.

	September 30 2010	
	Actual	As Adjusted
	(\$ in thousands, except share numbers)	
Debt:		
7.50% Senior Notes due 2016	\$499,017	\$499,017
% Senior Notes due 2020 offered hereby		
Total debt	499,017	
Shareholders' equity:		
Common shares, par value \$0.03 per share (50,793,902 shares issued and 42,394,576 (as adjusted: 39,234,783) shares outstanding)	1,524	1,524
Additional paid-in capital	1,355,685	1,318,487
Treasury shares, at cost (8,399,326 (as adjusted: 11,559,119))	(415,009)	(600,457)
Accumulated other comprehensive income:		
net unrealized gains on investments, net of tax	111,760	111,760
Retained earnings	2,287,354	2,287,354
Total shareholders' equity	3,341,314	3,118,668
Total capitalization	\$3,840,331	\$

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DESCRIPTION OF NOTES

The following description of the specific terms of the Notes that we are offering supplements the description of the general terms and provisions of the senior debt securities set forth in the accompanying prospectus under the caption Description of the Debt Securities .

The Notes constitute a series of debt securities, which are more fully described in the accompanying prospectus, to be issued pursuant to an indenture between us, as issuer, and The Bank of New York Mellon, as trustee (the Indenture). The terms of the Notes include those provisions contained in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act). The Notes are subject to all such terms, and holders of Notes are referred to the Indenture and the Trust Indenture Act for a statement of such terms. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to and qualified in their entirety by reference to the Indenture, including the definitions in the Indenture of certain terms used below.

General

The Notes will be our senior, unsecured obligations and will rank equally in right of payment to all of our existing and future unsubordinated indebtedness from time to time outstanding. The Notes will be effectively subordinated to all our future secured obligations to the extent of the collateral securing such obligations and effectively subordinated to all existing and future obligations (including to policyholders, trade creditors, debt holders and taxing authorities) of our subsidiaries. All liabilities of our future subsidiaries will be effectively senior to the Notes.

Under the Indenture we covenant that if any direct or indirect parent company of ours guarantees our outstanding 7.50% Senior Notes due 2016, equivalent guarantees will be provided with respect to the Notes so long as such 7.50% Senior Notes due 2016 are so guaranteed.

The Notes will mature on , 2020. The Notes will be initially issued through The Depository Trust Company (DTC) in fully registered form without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof, except under the limited circumstances described below under Delivery and Form. The Notes will initially be issued in aggregate principal amount of \$. On one or more occasions after the sale of the Notes, we may issue additional notes under the Indenture having substantially identical terms to the Notes offered hereby (except for the public offering price and the issue date). The Notes and any such additional notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments and redemptions.

Principal and Interest

We will pay interest on the Notes at a rate of % per year semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2011, to the persons in whose names the Notes are registered at the close of business on May 1 or November 1, as the case may be (whether or not a Business Day (as defined in the Indenture)), immediately preceding the relevant interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

If any interest payment date falls on a day that is not a Business Day, the interest payment will be postponed to the next day that is a Business Day, and no interest on such payment will accrue for the period from and after such interest payment date. If the maturity date of the Notes falls on a day that is not a Business Day, the payment of interest and

principal may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the maturity date. Interest payments for the Notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the interest payment date or the date of maturity, as the case may be. Interest on the Notes which have a Redemption Date (as defined

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below) after a regular record date and on or before the following interest payment date will also be payable to the persons in whose names the Notes are so registered.

Payment of Additional Amounts

We will make all payments on the Notes without withholding of any present or future taxes or governmental charges of (i) our jurisdiction of organization or any political subdivision or taxing authority thereof or therein, (ii) the jurisdiction of our principal executive offices or any political subdivision or taxing authority thereof or therein or (iii) the jurisdiction of organization of any guarantor of the Notes or any political subdivision or taxing authority thereof or therein (each of clause (i), (ii) and (iii), a taxing jurisdiction), unless we are required to do so by applicable law or regulation. If under the laws or regulations of a taxing jurisdiction we are required to withhold amounts, we will, subject to the limitations described in the accompanying prospectus under Description of the Debt Securities, pay to persons in whose names the Notes are registered additional amounts so that every net payment made to such persons, after the withholding, will be the same amount provided for in the Notes. We will pay any stamp, issue, registration, documentary, value added, excise, property or other similar taxes and duties (including interest and penalties) payable in respect of the creation, issue, offering or execution of the notes or any guarantee of the Notes, or any documentation with respect thereto, and will indemnify the holders for any such taxes paid by the holders.

Redemption for Changes in Withholding Taxes

We will be entitled to redeem the Notes, at our option, at any time as a whole but not in part, upon not less than 30 nor more than 60 days notice, at 100% of the principal amount thereof, plus accrued and unpaid interest (if any) to the Redemption Date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in the event that we have become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes, any additional amounts as a result of:

a change in or an amendment to the laws (including any regulations or rulings promulgated thereunder) of a taxing jurisdiction, which change or amendment (i) in our case, is announced after the date of this prospectus supplement and (ii) in the case of any successor to us, is announced after the date such successor assumes our obligations under the Notes and the Indenture; or

any change in or amendment to any official position regarding the application, administration, interpretation or enforcement of the laws, regulations or rulings (including a holding by a court of competent jurisdiction or by a taxing authority) of a taxing jurisdiction, which change or amendment (i) in our case, is announced after the date of this prospectus supplement and (ii) in the case of any successor to us, is announced after the date such successor assumes our obligations under the Notes and the Indenture,

and, in each case, we cannot avoid such obligation by taking reasonable measures available to us.

Before we publish or mail any notice of redemption of the Notes as described above, we will deliver to the trustee an officers certificate to the effect that we cannot avoid our obligation to pay additional amounts by taking reasonable measures available to us (consistent with practices and interpretations generally followed or in effect at the time such measures could be taken) and an opinion of independent legal counsel of recognized standing stating that there is a substantial probability that we would be obligated to pay additional amounts as a result of a change in tax laws or regulations or the application or interpretation of such laws or regulations.

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Optional Redemption

We will be entitled to redeem the Notes, at our option, at any time or from time to time in whole or in part, on not less than 30 nor more than 60 days prior notice to the holders of the Notes, on any date prior to maturity (a

Redemption Date) at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the Discounted Present Value of the Notes subject to redemption, plus in each case