ALLEGHANY CORP /DE
Form DEF 14A
March 17, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ

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))
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Section 240.14a-12.

ALLEGHANY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ 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:

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(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ 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:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS **March 17, 2016**

Alleghany Corporation (Alleghany) hereby gives notice that its 2016 Annual Meeting of Stockholders (the 2016 Annual Meeting) will be held at The Penn Club of New York, 30 West 44th Street, New York, New York, on Friday, April 22, 2016 at 10:00 a.m., local time, for the following purposes:

1. To elect two directors for terms expiring in 2019.

2. To ratify the selection of Ernst & Young LLP as Alleghany s independent registered public accounting firm for fiscal 2016.

3. To hold an advisory, non-binding vote on executive compensation.

4. To transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

Holders of Alleghany common stock at the close of business on March 1, 2016 are entitled to receive this Notice and vote for the election of directors and on each of the other matters set forth above at the 2016 Annual Meeting and any adjournments or postponements thereof.

You are cordially invited to attend the 2016 Annual Meeting. Representation of your shares at the 2016 Annual Meeting is very important. Whether or not you plan to attend in person, we encourage you to vote your shares promptly by using the Internet or telephone, or by signing and returning the enclosed proxy card in the envelope provided. You may revoke your proxy at any time before it is voted at the 2016 Annual Meeting by written notice to the Secretary of Alleghany, by submitting a new proxy with a later date, or by voting in person at the 2016 Annual Meeting.

By order of the Board of Directors,

CHRISTOPHER K. DALRYMPLE
Senior Vice President, General

Counsel and Secretary
Alleghany Corporation

7 Times Square Tower

New York, New York 10036

Important Notice Regarding Internet Availability of Proxy Materials for the Alleghany Corporation 2016 Annual Meeting of Stockholders to be Held on April 22, 2016: Proxy materials relating to the 2016 Annual Meeting (notice of meeting, proxy statement, proxy and 2015 Annual Report to Stockholders on Form 10-K) are also available on the Internet at www.envisionreports.com/YAL.

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PROXY STATEMENT SUMMARY

This summary highlights selected information that is discussed in more detail elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider, and you should read the full Proxy Statement before voting. Unless the context otherwise requires, references in this Proxy Statement to Alleghany, the Company, we, our or us refer to Alleghany Corporation, references to the Board refe Board of Directors, references to the common stock refer to our common stock, par value $1.00 per share, and references to the 2016 Annual Meeting refer to our 2016 Annual Meeting of Stockholders and any and all adjournments or postponements thereof.

2016 ANNUAL MEETING INFORMATION

Date and Time	Friday, April 22, 2016, at 10:00 a.m. local time
Location	The Penn Club of New York 30 West 44th Street New York, New York
Record Date	March 1, 2016
Mailing Date	On or about March 17, 2016

MEETING AGENDA AND BOARD RECOMMENDATIONS

Voting Matter	Board s Recommendation	Additional Information
Proposal 1: Election of Directors	FOR each director nominee	pages 25 to 31
Proposal 2: Selection of Independent Accounting Firm	FOR	pages 32 and 33
Proposal 3: Advisory Vote on Executive Compensation	FOR	pages 34 to 69

HOW TO VOTE (pages 8 and 9)

You can vote by any of the following methods:

By Internet	Go to the voting website, www.envisionreports.com/YAL
By Telephone	If you reside in the United States, Canada or U.S. territories, call toll free 1-800-652-VOTE (8683)
By Mail	If you received a proxy card in the mail, complete, sign, date, and mail the proxy card in the return envelope provided to you
In person	Attend the Annual Meeting and vote by ballot

If you vote by the Internet or telephone, you must vote no later than 1:00 a.m., Eastern Daylight Time, on April 22, 2016.

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BOARD NOMINEES (page 26)

Karen Brenner Director since 2009	Ms. Brenner has been an Executive Director of Law and Business Initiatives at New York University since 2012 and Clinical Professor of Business at the Leonard N. Stern School of Business at New York University since 2008.
John G. Foos Director since 2012	Mr. Foos currently serves as a director of Blue Cross Blue Shield of South Carolina, a South Carolina-owned and operated health insurance carrier, the HAI Group Companies, a provider of niche insurance programs and services for the public and affordable housing community, and Emerald Shelter Group, a not-for-profit that provides healthcare and affordable housing.

GOVERNANCE HIGHLIGHTS

Board Independence	Nine of our ten directors are independent directors. All of our standing Board committees are chaired by independent directors. Our Audit, Compensation and Nominating and Governance Committees are 100 percent independent.
Board Structure	Our Board is divided into three separate classes of directors. At each Annual Meeting of Stockholders, one class of directors is elected to a term of three years.
Risk Oversight	Our Board and its committees work with management to diligently monitor and manage risk.
Independent Chairman	Our current Chairman is an independent director. Our policy is that the Chairman should not be an Alleghany officer.
Board and Committee Evaluations	Our annual Board and committee evaluation processes help promote the effectiveness of the Board and its committees.
Director Tenure	Our Board has an average tenure of ten years, with half of our current directors joining the Board in 2009 or later.
Stock Ownership Guidelines	Executive officers are required to hold shares of common stock valued at three to five times their base salary (varies depending on position). Directors are required to hold common stock and/or restricted stock units valued at least five times the annual board retainer within five years of election to the Board. We have a policy prohibiting hedging and pledging of our common stock by directors and executive officers to discourage excessive risk-taking.

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PERFORMANCE HIGHLIGHTS

2015 and long-term financial results highlights are as follows:

2015 Performance

- 4.4% increase in common stockholders equity per share to $486.02 at 2015 year-end from $465.51 at 2014 year-end.

- Transatlantic Holdings, Inc., or TransRe, and RSUI Group, Inc. or RSUI, which together account for 90% of our consolidated stockholders equity, produced high single-digit returns on equity on an operating basis (excluding net realized capital gains or losses and other-than-temporary impairment charges). Investment returns, however, were weak in 2015 resulting in slightly lower growth in book value for each company relative to the return on equity, consistent with the lackluster performance of all investment classes generally in 2015.

- Net earnings of $560.3 million in 2015, compared with $679.2 million in 2014, primarily reflecting higher other-than-temporary impairment losses in 2015 compared with 2014.

- Consolidated Alleghany underwriting profit of $466.6 million in 2015, compared with $494.8 million in 2014, and a consolidated combined ratio of 89.0% in 2015, compared with 88.8% in 2014, reflecting continued positive underwriting results at TransRe and RSUI.

- Alleghany made progress in building Alleghany Capital Corporation s portfolio of non-financial business investments by acquiring IPS-Integrated Project Services, LLC, or IPS.

Additional information regarding Alleghany s 2015 results, including audited consolidated financial statements, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, with respect to 2015 results, is contained in Alleghany s Annual Report on Form 10-K for the year ended December 31, 2015, or the Form 10-K, which was filed with the U.S. Securities and Exchange Commission, or the SEC, on February 23, 2016. Readers are urged to review the Form 10-K for a more complete discussion of Alleghany s financial performance.

Long-Term Performance

We believe that Alleghany s performance is best measured over the long term, and that long-term growth in common stockholders equity per share is the best metric for evaluating such performance. In this regard, the table below shows the annual, and three- and ten-year average rolling, annualized growth in our common stockholders equity per share during the five-year period from December 31, 2010 to December 31, 2015:

Year	Common Stockholders Equity Per Share($)[1]	Annual Growth	Rolling Annualized Average Three-Year	Rolling Annualized Average Ten-Year
2010	325.31	10.4	5.0	8.7
2011	342.12	5.2	8.6	7.7
2012	379.13	10.8	8.7	8.8
2013	412.96	8.9	8.3	8.5
2014	465.51	12.7	10.8	8.6

2015	486.02	4.4	8.6	8.6
Average		**8.7%**	**8.3%**	**8.5%**

(1) Adjusted for subsequent stock dividends

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As can be seen in the table above, Alleghany s common stockholders equity per share has compounded over the various time metrics in the mid-range of Alleghany s stated financial objective of 7-10% annual growth in common stockholders equity per share.

The chart below summarizes Alleghany s common stockholders equity per share growth and stock price performance over the ten-year period from December 31, 2005 to December 31, 2015, compared with the Standard & Poor s 500 Stock Index, or the S&P 500, with all values indexed to December 31, 2005. During this ten-year period, Alleghany s common stockholders equity per share increased at a compound annual rate of 8.6%, compared with a compound annual rate of return of 7.3% for the S&P 500, and the price of Alleghany common stock (adjusted for stock dividends) appreciated at a 6.6% compound annual rate of return.

As indicated by the data presented in the chart above, Alleghany s growth in common stockholders equity per share has been relatively consistent. The trading price of Alleghany s common stock has been more volatile, reflecting the volatility of the stock market in general. In Alleghany s view, growth in common stockholders equity per share is a better measure of fundamental value creation as compared to the more volatile trading price of Alleghany s common stock. As such, Alleghany focuses its executive compensation program on building common stockholders equity per share over time. As is shown in the chart, Alleghany s growth in common stockholders equity per share has exceeded that of the S&P 500 return over the past ten years and is considerably less volatile.

COMPENSATION HIGHLIGHTS

Compensation Philosophy

Our executive compensation program is intended to provide competitive total compensation to each of Alleghany s executive officers (as listed on page 21), or the Named Executive Officers, that is aligned with the interests of our stockholders in increasing our common stockholders equity per share at rates of 7-10% over the long term without employing excessive amounts of financial leverage and without taking imprudent risks. This approach enables us to manage risk to avoid loss of capital during periods of economic turmoil, which we believe creates maximum value for stockholders in the long term, even if it results in lower levels of capital appreciation during periods when economic conditions are more favorable.

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For 2015, this compensation philosophy was evidenced by the following compensation highlights:

- CEO total direct compensation (salary, annual incentive and long-term equity based awards) was $6.7 million, representing approximately 0.9% of 2015 pre-tax earnings and approximately 0.1% of 2015 revenues, and total direct compensation for our Named Executive Officers as a group was $17.1 million, representing approximately 2.4% of 2015 pre-tax earnings and approximately 0.4% of 2015 revenues.

- 85% of Mr. Hicks s total direct compensation for 2015 was linked to performance, while performance-linked compensation for our other Named Executive Officers averaged 74% of total direct compensation in 2015.

- Mr. Hicks s 2015 total direct compensation decreased by 10% from 2014 total direct compensation, due to a lower annual incentive payout for 2015.

- Annual incentive plan awards included a financial objective but also discretion given the nature of Alleghany s business and long-term approach, with the discretionary aspect being restricted by the fact that payouts for 2015 were limited to the lesser of (i) approximately $5.7 million (representing the maximum potential payout for our Named Executive Officers as a group) or (ii) 3% of 2015 annual adjusted pre-tax earnings, if less than $5.7 million.

- Long-term performance share awards were subject to goals that we believed would be challenging to meet in today s low interest rate and volatile market environment and that are aligned with our corporate financial objective of long-term growth in book value, with no payout being made if threshold performance is not achieved, and with our CEO s long-term incentives based 100% on performance.

Elements of 2015 Compensation

The principal elements of compensation paid to our Named Executive Officers in respect of 2015 consisted of:

- salaries;

- annual cash incentive compensation under the 2010 Management Incentive Plan, or 2010 MIP;

- annual grants of long-term equity-based incentives under the 2012 Long-Term Incentive Plan, or 2012 LTIP; and

- an annual savings benefit equal to 15% of base salary.

In addition, our Named Executive Officers receive a benefit, assuming the completion of five years of service with Alleghany or a subsidiary of Alleghany, under a retirement plan, although such benefit was frozen in 2013.

The percentage that these elements represent of the 2015 compensation for our chief executive officer and our other Named Executive Officers is reflected below.

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2015 Named Executive Officer Compensation

The following table sets forth the compensation of our Named Executive Officers during 2015, as calculated in accordance with applicable SEC regulations. For a complete schedule and related footnotes, please see the Summary Compensation Table on page 54 in the Executive Compensation section of this Proxy Statement.

Name and Principal Position	Salary	Bonus	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Weston M. Hicks President and chief executive officer	$ 1,000,000		$ 4,026,509	$ 1,700,000		$ 166,176	$ 6,892,685
Joseph P. Brandon Executive Vice President	800,000		2,415,815	1,620,000		132,716	4,968,531
Christopher K. Dalrymple Senior Vice President, General Counsel, and Secretary	630,000		951,133	614,250		103,890	2,299,273
Roger B. Gorham Senior Vice President - Head of Fixed Income and Treasurer	600,000		271,557	270,000	256,464	100,572	1,498,593
John L. Sennott, Jr. Senior Vice President and chief financial officer	630,000		951,133	614,250		104,422	2,299,805

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Long-Term Compensation Highlights

During the ten-year performance period set out in the graph on page 4, we believe that Mr. Hicks s compensation has been well-aligned with Alleghany s long-term performance as can be seen in the table below: