

Allied World Assurance Co Holdings, AG
Form DEFA14A
April 14, 2011

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

(Name of Registrant as Specified in Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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-

Invitation to the Annual Ordinary General Meeting

(Annual Shareholder Meeting) of Allied World Assurance Company Holdings, AG (the Company)
Thursday, May 5, 2011, 2:00 p.m. Central European Time (doors open at 1:30 p.m. Central European Time)
at the corporate headquarters of Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland

AGENDA ITEMS

ITEM A

Election of Class I Directors

ITEM A.1: Election of Mark R. Patterson

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that Mark R. Patterson be elected to the Board of Directors for a three-year term expiring at the Company's 2014 Annual Shareholder Meeting.

ITEM A.2: Election of Samuel J. Weinhoff

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that Samuel J. Weinhoff be elected to the Board of Directors for a three-year term expiring at the Company's 2014 Annual Shareholder Meeting.

ITEM B

Advisory Vote on Executive Compensation

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K by the US Securities and Exchange Commission (SEC), including the Compensation Discussion and Analysis section, compensation tables and narrative discussion be approved.

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.

ITEM C

Advisory Vote on Frequency of Say-on-Pay Votes

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that a vote for holding of a non-binding advisory vote on executive compensation every three years be approved.

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.

ITEM D

Approval of the Company's Annual Report and Financial Statements for the year ended December 31, 2010

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the Company's 2010 annual report, including the Company's audited consolidated financial statements and its audited Swiss statutory financial statement prepared in accordance with Swiss law, each for the year and period ended December 31, 2010, respectively, be approved.

ITEM E

Approval of Carrying Forward of Loss on the Company's Swiss Statutory Financial Statements

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the loss on the Company's Swiss statutory financial statements for the period ended December 31, 2010 amounting to CHF 17.7 million (or approximately USD 17.1 million) be carried forward to fiscal year 2011.

ITEM F

Approval of the Payment of Dividends in the Form of a Distribution to the Company's Shareholders through a Par Value Reduction

PROPOSAL OF THE BOARD OF DIRECTORS

Based on a report in accordance with Article 732 paragraph 2 of the Swiss Code of Obligations provided by Deloitte AG, as an auditor supervised by the Swiss Government, the Board of Directors proposes that the following dividend in the form of a distribution by way of par value reduction be approved. This agenda item may only be approved if agenda item D (Approval of the Company's Annual Report and Financial Statements) is first approved. The blank numbers in the following resolution will be completed based upon the Company's actual share capital as of the date of the Annual Shareholder Meeting and applicable exchange rate calculations described below.

1. The capital of the Company in the aggregate amount of CHF [*(number of Voting Shares and Non-Voting Shares as registered in the Commercial Register on the date of the Annual Shareholder Meeting (the Total Shares)) x (par value per share on the date of the Annual Shareholder Meeting (the Par Value))*] shall be reduced by the amount of CHF [*(number of Total Shares) x (Aggregate Reduction Amount as determined in paragraph 3(i))*] (the Aggregate Distribution Amount) to CHF [*completed at the date of the Annual Shareholder Meeting (the Shareholder Meeting Date)*] (i.e., the share capital of CHF [*completed on Shareholder Meeting Date*] shall be reduced by the amount of CHF [*completed on Shareholder Meeting Date*] to CHF [*completed on Shareholder Meeting Date*] and the participation capital of CHF [*completed on Shareholder Meeting Date*] shall be reduced by the amount of CHF [*completed on Shareholder Meeting Date*] to CHF [*completed on Shareholder Meeting Date*]).
2. Based on the report of the auditor dated May [*date of auditor report*], 2011, it is recorded that the receivables of the creditors of the Company are fully covered even after the capital reduction.
3. The capital reduction shall be executed as follows:
 - i. The capital reduction shall occur by reducing the par value per Voting Share and Non-Voting Share from currently CHF [*Par Value*] by CHF [*(USD 1.50 x the Foreign Exchange Rate)*] (Aggregate Reduction Amount) to CHF [*]* in four steps (each, a Partial Par Value Reduction): (1) for the first partial par value reduction from CHF [*completed on Shareholder Meeting Date*] by CHF [*Aggregate Reduction Amount divided by four*] to CHF [*completed on Shareholder Meeting Date*] by the end of July 2011 (*first Partial Par Value Reduction*); (2) for the second partial par value reduction from CHF [*completed on Shareholder Meeting Date*] by CHF [*Aggregate Reduction Amount divided by four*] to CHF [*completed on Shareholder Meeting Date*] by the end of October 2011 (*second Partial Par Value Reduction*); (3) for the third partial par value reduction from CHF [*completed on Shareholder Meeting Date*] by CHF [*Aggregate Reduction Amount divided by four*] to CHF [*completed on Shareholder Meeting Date*] by the end of December 2011 (*third Partial Par Value Reduction*); and (4) for the fourth partial par value reduction from CHF [*completed on Shareholder Meeting Date*] by CHF [*Aggregate Reduction Amount divided by four*] to CHF [*completed on Shareholder Meeting Date*] by the end of April 2012 (*fourth Partial Par Value Reduction*).
 - ii. The Aggregate Reduction Amount shall be repaid to shareholders in installments of CHF [*Aggregate Reduction Amount divided by four*] in August 2011, CHF [*Aggregate Reduction Amount divided by four*], in October 2011, CHF [*Aggregate Reduction Amount divided by four*] in January 2012 and CHF [*Aggregate Reduction Amount divided by four*] in April 2012 per Voting Share and Non-Voting Share.
 - iii. At each Partial Par Value Reduction an updated report in accordance with Article 732 paragraph 2 of the Swiss Code of Obligations by Deloitte AG, an auditor supervised by the Swiss government, shall be prepared (an Updated Report).
 - iv. The Board is only authorized to repay a Partial Par Value Reduction amount in the event the Updated Report confirms that the claims of creditors are fully covered in spite of the Partial Par Value Reduction.
 - v. In addition, under Swiss law, upon satisfaction of all legal requirements (including shareholder approval of a par value reduction as described in this proposal), we will be required to submit an application to the Commercial Register in the Canton of Zug to register each applicable par value reduction. Without effective

registration of the applicable par value reduction with the Commercial Register in the Canton of Zug, we will not be able to proceed with the payment of any installment of the Dividend as described in this proposal. We cannot assure you that the Commercial Register in the Canton of Zug will approve the registration of any applicable par value reduction.

4. The quarterly Partial Par Value Reduction amount of CHF [] completed on Shareholder Meeting Date] per Voting Share and Non-Voting Share (the Quarterly Distribution Amount) pursuant to paragraph 3(i) and (ii) equals USD 0.375 (the Quarterly U.S. Dollar Amount) based on a USD/CHF exchange ratio of CHF [] completed on Shareholder Meeting Date] (rounded down to the next whole cent) per \$1 (being the Foreign Exchange Rate). The Quarterly Distribution Amount and the Aggregate Distribution Amount pursuant to paragraph 1 are subject to the following adjustments as a result of USD/CHF currency fluctuations:
 - i. The Quarterly Distribution Amount is to be adjusted as a result of currency fluctuations such that each quarterly per Voting Share and Non-Voting Share Partial Par Value Reduction amount shall equal an amount calculated as follows (rounded down to the next whole cent):

Quarterly Distribution Amount = Quarterly U.S. Dollar Amount x USD/CHF currency exchange ratio as published in The Wall Street Journal on July 18, 2011 for the first Partial Par Value Reduction, on September 19, 2011, for the second Partial Par Value Reduction, on December 19, 2011, for the third Partial Par Value Reduction, and on March 19, 2012, for the fourth Partial Par Value Reduction.

If as a result of one or several quarterly adjustments the Aggregate Distribution Amount would otherwise be increased by more than CHF [] (number of Total Shares) multiplied by the maximum increase amount per Voting Share and Non-Voting Share as determined at the end of this paragraph] (corresponding to 50% of the Aggregate Distribution Amount set forth in paragraph 1, rounded to the nearest cent), the adjustment is limited such that the aggregate increase to the Aggregate Distribution Amount rounded to the nearest cent equals CHF [] completed on Shareholder Meeting Date] (being CHF [] (50% of the Aggregate Distribution Amount) divided by the number of Total Shares, rounded up or down to the next cent] per Voting Share and Non-Voting Share).
 - ii. The Aggregate Distribution Amount pursuant to paragraph 1 shall be adjusted as follows:

Sum of the four (Quarterly Distribution Amounts (adjusted pursuant to Section 4(i)) x number of Voting Shares and Non-Voting Shares registered in the Commercial Register of the Canton of Zug as issued and outstanding on the date of the registration of the respective Partial Par Value Reduction).
5. The Aggregate Distribution Amount pursuant to paragraph 1 (as adjusted pursuant to paragraph 4 (ii)) shall be increased by par value reductions on Voting Shares that are issued from authorized share capital and conditional share capital after the Annual Shareholder Meeting but which have not been registered in the Commercial Register of the Canton of Zug on the date of the registration of the respective Partial Par Value Reductions.
6. The general meeting acknowledges that the report of the auditor dated May [] completed on Shareholder Meeting Date], 2011 has been prepared on the basis of the maximum possible increase provided under paragraphs 4 and 5, meaning the increase of the Aggregate Distribution Amount by CHF [] completed on Shareholder Meeting Date] and that all Voting Shares have been issued out of conditional share capital and the authorized share capital.
7. The Board is instructed to determine the procedure for the payment of the Quarterly Distribution Amounts.
8. Effective with the registrations of the respective quarterly capital reductions in the Commercial Register, the following amendments are resolved to Article 3a subparagraph a), of the Articles of Association:

„Artikel 3a Aktienkapital

a) Das Aktienkapital der Gesellschaft beträgt CHF []*/[]**/[]***/[]**** und ist eingeteilt in 39 801 302 auf den Namen lautende Aktien im Nennwert von CHF []*/[]**/[]***/[]**** je Aktie. Das

Article 3a Share Capital

a) The share capital of the Company amounts to CHF []*/[]**/[]***/[]**** and is divided into 39,801,302 registered shares with a par value of CHF []*/[]**/[]***/[]**** per share. The share capital is

Aktienkapital ist vollständig liberiert.

fully paid-in.

* nach Vollzug der ersten
Teilnennwertherabsetzung gemäss Ziffer 3 bis Ende
Juli 2011 mit konkreter Zahl aufgrund Anpassung
gemäss Ziffer 4 und mit Statutendatum Mai 2011

* Upon completion of the first Partial Par Value
Reduction until the end of July 2011 with specific
numbers based on adjustments pursuant to paragraph
4 above and the Articles of Association being dated
May 2011

** nach Vollzug der zweiten
Teilnennwertherabsetzung gemäss Ziffer 3 bis Ende
Oktober 2011 mit konkreter Zahl aufgrund
Anpassung gemäss Ziffer 4 und mit Statutendatum
Mai 2011

** Upon completion of the second Partial Par
Value Reduction until the end of October 2011 with
specific numbers based on adjustments pursuant to
paragraph 4 above and the Articles of Association
being dated May 2011

*** nach Vollzug der dritten
Teilnennwertherabsetzung gemäss Ziffer 3 bis Ende
Dezember 2011 mit konkreter Zahl aufgrund
Anpassung gemäss Ziffer 4 und mit Statutendatum
Mai 2011

*** Upon completion of the third Partial Par Value
Reduction until the end of December 2011 with
specific numbers based on adjustments pursuant to
paragraph 4 above and the Articles of Association
being dated May 2011

**** nach Vollzug der vierten
Teilnennwertherabsetzung gemäss Ziffer 3 bis Ende
April 2012 mit konkreter Zahl aufgrund Anpassung
gemäss Ziffer 4 und mit Statutendatum Mai 2011

**** Upon completion of the fourth Partial Par
Value Reduction until the end of April 2012 with
specific numbers based on adjustments pursuant to
paragraph 4 above and the Articles of Association
being dated May 2011

Please note that the asterisks above also apply to Articles 3b, 4, 5, 5a and 6 below.

9. Effective with the registrations of the respective quarterly capital reductions in the Commercial Register, the following amendments are resolved to Article 3b subparagraph a), of the Articles of Association:

„Artikel 3b Partizipationskapital

a) Das Partizipationskapital der Gesellschaft beträgt CHF []*/[]**/[]***/[]**** und ist eingeteilt in 202 340 Partizipationsscheine lautend auf den Namen im Nennwert von CHF []*/[]**/[]***/[]**** je Partizipationsschein. Das Partizipationskapital ist vollständig liberiert.

10. Effective with the registrations of the respective quarterly capital reductions in the Commercial Register, the following amendments are resolved to Article 4 subparagraph a), 5 subparagraph a), 5a subparagraph a) and 6 subparagraph a) of the Articles of Association:

„Artikel 4 Bedingtes Aktienkapital für Anleiheobligationen und ähnliche Instrumente der Fremdfinanzierung

a) Das Aktienkapital der Gesellschaft wird im Maximalbetrag von CHF []*/[]**/[]***/[]**** durch Ausgabe von höchstens 1 000 000 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF []*/[]**/[]***/[]**** je Aktie erhöht, bei und im Umfang der Ausübung von Wandel- und/oder Optionsrechten, welche im Zusammenhang mit von der Gesellschaft oder ihren Tochtergesellschaften emittierten oder noch zu emittierenden Anleiheobligationen, Notes oder ähnlichen Obligationen oder Schuldverpflichtungen eingeräumt wurden/werden, einschliesslich Wandelanleihen.

„Artikel 5 Bedingtes Aktienkapital für Mitarbeiterbeteiligungen

a) Das Aktienkapital der Gesellschaft wird im Maximalbetrag von CHF []*/[]**/[]***/[]**** durch Ausgabe von höchstens 4 200 000 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF []*/[]**/[]***/[]**** je Aktie erhöht bei und im Umfang der Ausübung von Optionen, welche Mitarbeitern der Gesellschaft oder Tochtergesellschaften sowie Beratern, Direktoren oder anderen Personen, welche Dienstleistungen für die Gesellschaft oder ihre Tochtergesellschaften erbringen, eingeräumt wurden/werden.

„Artikel 5a Bedingtes Kapital für bestehende Aktionärsoptionen

Article 3b Participation Capital

a) The participation capital of the Company amounts to CHF []*/[]**/[]***/[]**** and is divided into 202,340 registered participation certificates with a par value of CHF []*/[]**/[]***/[]**** per participation certificate. The participation capital is fully paid-in.

Article 4 Conditional Share Capital for Bonds and Similar Debt Instruments

a) The share capital of the Company shall be increased by an amount not exceeding CHF []*/[]**/[]***/[]**** through the issue of a maximum of 1,000,000 registered shares, payable in full, each with a par value of CHF []*/[]**/[]***/[]**** through the exercise of conversion and/or option or warrant rights granted in connection with bonds, notes or similar instruments, issued or to be issued by the Company or by subsidiaries of the Company, including convertible debt instruments.

Article 5 Conditional Share Capital for Employee Benefit Plans

a) The share capital of the Company shall be increased by an amount not exceeding CHF []*/[]**/[]***/[]**** through the issue from time to time of a maximum of 4,200,000 registered shares, payable in full, each with a par value of CHF []*/[]**/[]***/[]****, in connection with the exercise of option rights granted to any employee of the Company or a subsidiary, and any consultant, director or other person providing services to the Company or a subsidiary.

Article 5a Conditional Capital for Existing Shareholder Warrants

a) Das Aktienkapital der Gesellschaft wird im Maximalbetrag von CHF []*/[]**/[]***/[]**** durch Ausgabe von höchstens 2 000 000 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF []*/[]**/[]***/[]**** je Aktie erhöht bei und im Umfang der Ausübung von Optionen, welche American International Group, Inc. eingeräumt wurden.

a) The share capital of the Company shall be increased by an amount not exceeding CHF []*/[]**/[]***/[]****, through the issue from time to time of a maximum of 2,000,000 registered shares payable in full, each with a par value of CHF []*/[]**/[]***/[]****, in connection with the exercise of shareholder warrants granted to American International Group, Inc.

„Artikel 6 Genehmigtes Kapital zu allgemeinen Zwecken

Article 6 Authorized Share Capital for General Purposes

a) Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis 30. November 2012 im Maximalbetrag von CHF []*/[]**/[]***/[]**** durch Ausgabe von höchstens 7 960 260 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF []*/[]**/[]***/[]**** je Aktie zu erhöhen.

a) The Board of Directors is authorized to increase the share capital from time to time and at any time until November 30, 2012 by an amount not exceeding CHF []*/[]**/[]***/[]**** through the issue of up to 7,960,260 fully paid up registered shares with a par value of CHF []*/[]**/[]***/[]**** each.

ITEM G

Approval of the Remaining Capacity Under the Share Repurchase Program

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the Company using the USD 122.5 million of remaining capacity under the Company's USD 500 million share repurchase program for future repurchases, with such shares acquired to be held in treasury by the Company, be approved.

ITEM H

Election of Deloitte & Touche Ltd. as Independent Auditor and Deloitte AG as Statutory Auditor

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that Deloitte & Touche Ltd. be elected as the Company's independent auditors for SEC reporting purposes and that Deloitte AG be elected as the Company's statutory auditor to serve until the Company's 2012 Annual Shareholder Meeting.

ITEM I

Election of PricewaterhouseCoopers AG as the Company's Special Auditor

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that PricewaterhouseCoopers AG be elected as the Company's special auditor to serve until the Company's 2012 Annual Shareholder Meeting.

ITEM J

Approval of Granting Discharge to the Board of Directors and Executive Officers from Liabilities

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that all individuals who served as members of the Board of Directors or as executive officers of the Company be discharged from liability for their activities during the year ended December 31, 2010.

ORGANIZATIONAL MATTERS

Admission to the Annual Shareholder Meeting

Shareholders who were registered in the Company's share register on March 9, 2011 have received the Company's Proxy Statement and proxy card from MacKenzie Partners, Inc., our proxy solicitor. Beneficial owners of shares will receive instructions from their bank, brokerage firm or other nominee acting as shareholder of record to indicate how they wish their shares to be voted. Beneficial owners who wish to vote in person at the Annual Shareholder Meeting are requested to obtain a power of attorney from their bank, brokerage firm or other nominee that authorizes them to vote the shares held by them on their behalf. In addition, you must bring to the Annual Shareholder Meeting an account statement or letter from your bank, brokerage firm or other nominee indicating that you are the owner of the

Company's Voting 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.

Shareholders who upon application become registered as shareholders of record with respect to their Voting Shares in our share register and become a shareholder of record for those shares (as opposed to a beneficial holder of shares held in street name), after March 9, 2011, but on or before April 18, 2011, and want to vote those shares at the Annual Shareholder Meeting, will need for identification purposes to obtain a proxy from the registered voting rights record holder of those shares as of March 9, 2011 to vote their shares in person at the Annual Shareholder Meeting.

Alternatively, they may also obtain the proxy materials by contacting the Corporate Secretary, attention Wesley D. Dupont, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at secretary@awac.com. Shareholders registered in our share register (as opposed to a beneficial holder of shares held in street name) on March 9, 2011 who have sold their Voting Shares prior to April 18, 2011 will not be entitled to vote those shares at the Annual Shareholder Meeting.

Granting of 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. Hans-Jakob Diem of Lenz & Staehelin, Bleicherweg 58, CH-8027, 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 does not need to be a shareholder. Proxies issued to the independent proxy must be received no later than noon, CET, on April 28, 2011.

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, CET, on April 28, 2011.

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 proposals or motions regarding agenda items set out in this invitation to the Annual Shareholder Meeting are being put forth before or at 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 the 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 1:00 p.m. CET. 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 2010 Annual Report contains the Company's audited consolidated financial statements and its audited statutory financial statements prepared in accordance with Swiss law and can be accessed through the Company's website at www.awac.com under the Financial Report link located in the section entitled Investor Relations. Copies of the 2010 Annual Report may be obtained without charge upon written request to the Corporate Secretary, attention Wesley D. Dupont, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at secretary@awac.com. The 2010 Annual Report may be physically inspected at the Company's headquarters at Lindenstrasse 8, 6340 Baar, Zug, Switzerland.

Zug, April 14, 2011

On behalf of the Board of Directors

Wesley D. Dupont

Corporate Secretary