

ALLIED WORLD ASSURANCE CO HOLDINGS LTD

Form DEF 14A

October 14, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(A) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD

(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.

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.

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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Dear Shareholders:

On November 18, 2010, commencing at 10:00 a.m., local time, we will hold special court-ordered meetings of our voting and non-voting common shareholders at our corporate headquarters located at 27 Richmond Road, Pembroke HM 08, Bermuda.

Our board of directors has unanimously approved, and is recommending that our common shareholders approve, a proposal that would result in your holding shares in a Swiss corporation rather than a Bermuda company. The proposed scheme of arrangement under Bermuda law will effectively change our place of incorporation from Bermuda to Switzerland. The number of common shares you will own in Allied World Assurance Company Holdings, AG, the new Swiss corporation, will be the same as the number of common shares you held in Allied World Assurance Company Holdings, Ltd, the existing Bermuda company, immediately prior to the completion of the transaction, and your relative economic interest in the company will remain unchanged.

After the completion of the transaction, our company will continue to conduct the same business operations as we conducted prior to the transaction, with the Swiss corporation as our ultimate holding company instead of the Bermuda company. We expect the voting shares of the Swiss corporation to be listed on the NYSE under the symbol AWH, the same symbol under which our common shares are currently listed. Upon completion of the transaction, we will remain subject to the U.S. Securities and Exchange Commission reporting requirements, the mandates of the Sarbanes-Oxley Act and the applicable corporate governance rules of the NYSE, and we will continue to report our consolidated financial results in U.S. dollars and under U.S. generally accepted accounting principles.

The planned change to our place of incorporation from Bermuda to Switzerland will locate the company in a country that is a leading financial center with a strong reputation for economic and political stability, a shareholder-friendly governance environment and a corporate tax regime that will allow us to maintain a competitive worldwide effective corporate tax rate.

Under U.S. federal income tax law, our shareholders generally will not recognize a gain or loss in the transaction.

This proxy statement provides you with detailed information regarding the transaction. We encourage you to read this entire document carefully. **You should carefully consider Risk Factors beginning on page 22 for a discussion of risks before voting at the meeting.**

The transaction cannot be completed without, among other things, (1) the affirmative vote of a majority in number of the holders of Allied World Assurance Company Holdings, Ltd voting common shares present and voting on the proposal, whether in person or by proxy, representing 75% or more in value of the voting common shares present and voting on the proposal, whether in person or by proxy; (2) the affirmative vote of a majority in number of the holders of Allied World Assurance Company Holdings, Ltd non-voting common shares present and voting on the proposal, whether in person or by proxy, representing 75% or more in value of the non-voting common shares present and voting on the proposal, whether in person or by proxy; and (3) the approval of the Supreme Court of Bermuda. **Your board of directors unanimously recommends that you vote to approve the transaction.**

Please *date, sign and return the enclosed proxy card(s)* in the enclosed, postage-paid envelope as promptly as possible, or appoint a proxy to vote your shares by using the telephone or Internet, as described in the attached proxy statement, so that your shares may be represented at the relevant special court-ordered meeting and voted in accordance with your wishes.

If you have any questions about the meeting, or if you require assistance, please call our proxy solicitor, MacKenzie Partners, Inc., at (800) 322-2885 or our Corporate Secretary at (441) 278-5400.

If you attend the relevant meeting, you may vote in person, even if you have previously submitted a proxy card.

Sincerely,

Scott A. Carmilani
President, Chief Executive Officer and Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the transaction or determined if this proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement is dated October 14, 2010 and is first being mailed to shareholders on or about October 14, 2010.

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FOR HOLDERS OF VOTING COMMON SHARES ONLY

**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
27 Richmond Road
Pembroke HM 08, Bermuda**

**NOTICE OF SPECIAL COURT-ORDERED MEETING OF
ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
VOTING COMMON SHAREHOLDERS
TO BE HELD ON NOVEMBER 18, 2010**

October 14, 2010

To Our Voting Shareholders:

We will hold a special court-ordered meeting of our voting common shareholders at our corporate headquarters, located at 27 Richmond Road, Pembroke HM 08, Bermuda, commencing at 10:00 a.m., local time, on November 18, 2010 to vote:

To approve a redomestication to be effected by the Scheme of Arrangement attached as Annex A to this proxy statement, between Allied World Assurance Company Holdings, Ltd, a company organized under the laws of Bermuda (Allied World Bermuda), and Allied World Assurance Company Holdings, AG, a Swiss corporation and a wholly-owned subsidiary of Allied World Bermuda (Allied World Switzerland). Under the terms of the Scheme of Arrangement, each holder of Allied World Bermuda voting common shares outstanding immediately before the transaction is effected will receive voting shares of Allied World Switzerland, par value \$15.00 per share, on a one-for-one basis with respect to such outstanding Allied World Bermuda voting common shares, and each holder of Allied World Bermuda non-voting common shares outstanding immediately before the transaction is effected will receive non-voting participation certificates of Allied World Switzerland, par value \$15.00 per share, on a one-for-one basis with respect to such outstanding Allied World Bermuda non-voting common shares;

On a motion to adjourn the meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement; and

On any other matters that may properly come before the meeting and any adjournments or postponements of the meeting.

Under Bermuda law, the Scheme of Agreement must be separately approved by the holders of Allied World Bermuda s voting and non-voting common shares. Only shareholders of record holding voting common shares, as shown by the transfer books of Allied World Bermuda, as of the close of business on October 12, 2010 are entitled to vote at the special court-ordered meeting and at any adjournment or postponement thereof. **If you are a holder of non-voting common shares, you may ignore this Notice. Instead, please see the notice specifically for our non-voting shareholders.**

Please sign, date and return the enclosed proxy card in the return envelope furnished for that purpose, as promptly as possible, 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 use of the proxy and other related matters, you are urged to read the proxy statement on the following pages.

If you are a record holder of voting common shares and plan to attend the meeting, please check the appropriate box on the proxy card or, if you appoint a proxy by Internet or telephone, indicate your plans to attend when prompted.

The Scheme of Arrangement will be subject to an application to the Supreme Court of Bermuda seeking sanction or approval of the Scheme of Arrangement, which application will be heard on or about November 26, 2010.

By Order of the Board of Directors,

Wesley D. Dupont
Corporate Secretary

This proxy statement incorporates documents by reference. See [Where You Can Find More Information](#) beginning on page 85 for a listing of documents incorporated by reference. These documents are available to any person, including any beneficial owner of common shares, upon request directed to Wesley D. Dupont, Corporate Secretary, Allied World Assurance Company Holdings, Ltd, 27 Richmond Road, Pembroke HM 08, Bermuda. To ensure timely delivery of these documents, any request should be made by November 11, 2010. The exhibits to these documents will generally not be made available unless they are specifically incorporated by reference in this proxy statement.

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FOR HOLDERS OF NON-VOTING COMMON SHARES ONLY

**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
27 Richmond Road
Pembroke HM 08, Bermuda**

**NOTICE OF SPECIAL COURT-ORDERED MEETING OF
ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
NON-VOTING COMMON SHAREHOLDERS
TO BE HELD ON NOVEMBER 18, 2010**

October 14, 2010

To Our Non-Voting Shareholders:

We will hold a special court-ordered meeting of our non-voting common shareholders at our corporate headquarters, located at 27 Richmond Road, Pembroke HM 08, Bermuda, commencing at 10:30 a.m., local time, on November 18, 2010 to vote:

To approve a redomestication to be effected by the Scheme of Arrangement attached as Annex A to this proxy statement, between Allied World Assurance Company Holdings, Ltd, a company organized under the laws of Bermuda (Allied World Bermuda), and Allied World Assurance Company Holdings, AG, a Swiss corporation and a wholly-owned subsidiary of Allied World Bermuda (Allied World Switzerland). Under the terms of the Scheme of Arrangement, each holder of Allied World Bermuda voting common shares outstanding immediately before the transaction is effected will receive voting shares of Allied World Switzerland, par value \$15.00 per share, on a one-for-one basis with respect to such outstanding Allied World Bermuda voting common shares, and each holder of Allied World Bermuda non-voting common shares outstanding immediately before the transaction is effected will receive non-voting participation certificates of Allied World Switzerland, par value \$15.00 per share, on a one-for-one basis with respect to such outstanding Allied World Bermuda non-voting common shares;

On a motion to adjourn the meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement; and

On any other matters that may properly come before the meeting and any adjournments or postponements of the meeting.

Under Bermuda law, the Scheme of Agreement must be separately approved by the holders of Allied World Bermuda's voting and non-voting common shares. Only shareholders of record holding non-voting common shares, as shown by the transfer books of Allied World Bermuda, as of the close of business on October 12, 2010 are entitled to vote at the special court-ordered meeting and at any adjournment or postponement thereof. **If you are a holder of voting common shares, you may ignore this Notice. Instead, please see the notice specifically for our voting shareholders.**

Please sign, date and return the enclosed proxy card in the return envelope furnished for that purpose, as promptly as possible, 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 use of the proxy and other related matters, you are urged to read the proxy

statement.

If you are a record holder of non-voting common shares and plan to attend the meeting, please check the appropriate box on the proxy card or, if you appoint a proxy by Internet or telephone, indicate your plans to attend when prompted.

The Scheme of Arrangement will be subject to an application to the Supreme Court of Bermuda seeking sanction or approval of the Scheme of Arrangement, which application will be heard on or about November 26, 2010.

By Order of the Board of Directors,

Wesley D. Dupont
Corporate Secretary

This proxy statement for our non-voting common shareholders incorporates documents by reference. See *Where You Can Find More Information* beginning on page 85 for a listing of documents incorporated by reference. These documents are available to any person, including any beneficial owner of common shares, upon request directed to Wesley D. Dupont, Corporate Secretary, Allied World Assurance Company Holdings, Ltd, 27 Richmond Road, Pembroke HM 08, Bermuda. To ensure timely delivery of these documents, any request should be made by November 11, 2010. The exhibits to these documents will generally not be made available unless they are specifically incorporated by reference in this proxy statement.

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**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
27 Richmond Road
Pembroke HM 08, Bermuda**

PROXY STATEMENT

**For the Special Court-Ordered Meetings of
Voting Common Shareholders and
Non-Voting Common Shareholders
To be held on November 18, 2010**

GENERAL 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, Ltd (Allied World Bermuda) as of the Record Date (as defined below). The board of directors of Allied World Bermuda is soliciting the enclosed proxy to be voted at our special court-ordered meetings of voting common shareholders and non-voting common shareholders to be held on November 18, 2010 (the Special Meetings), and any adjournments or postponements thereof, at the times and place and for the purposes set forth in the accompanying Notice of Special Court-Ordered Meeting of Allied World Assurance Company Holdings, Ltd Voting Common Shareholders and the accompanying Notice of Special Court-Ordered Meeting of Allied World Assurance Company Holdings, Ltd Non-Voting Common Shareholders (collectively, the Notices of Special Meetings). This proxy statement summarizes the information you need to know to vote at the relevant Special Meeting. When the enclosed proxy card is properly executed and returned, the company s common shares, par value \$0.03 per share, it represents will be voted, subject to any direction to the contrary, at the relevant Special Meeting **FOR** the matters specified in the relevant Notice of Special Meeting attached hereto and described more fully herein.

This proxy statement, the attached Notices of Special Meetings and the enclosed proxy cards are being first mailed to shareholders on or about October 14, 2010.

Q: Who is entitled to vote?

A: The Board has set October 12, 2010, as the record date for the Special Meetings (the Record Date). Shareholders of record holding Allied World Bermuda voting common shares, as shown by the transfer books of the company as of the close of business on the Record Date, will be entitled to vote at the special court-ordered meeting of voting common shareholders and at any adjournment or postponement thereof. Holders of non-voting common shares (the substantial majority of which are currently held by certain Goldman Sachs Capital Partners and other investment funds, which are affiliates of the Goldman Sachs Group, Inc. (the GSCP Funds)), will receive this proxy statement but will be entitled to vote at a separate special court-ordered meeting of non-voting common shareholders to be held immediately following the special court-ordered meeting of voting common shareholders. As of October 12, 2010, there were 42,346,654 common shares outstanding, of which 38,896,801 were voting common shares and 3,449,853 were non-voting common shares. In addition, Allied World Bermuda holds 8,465,456 common shares in treasury, which are not entitled to vote at the Special Meetings. References to

common shares in this proxy statement refer to Allied World Bermuda's voting and non-voting common shares combined.

Q: What will I be voting on?

A: You are being asked to vote on a scheme of arrangement under Bermuda law, whereby your common shares of Allied World Bermuda will be cancelled and you will receive, on a one-for-one basis, new voting shares and/or non-voting participation certificates, as applicable, of Allied World Assurance Company Holdings, AG, the new Swiss corporation (Allied World Switzerland), for the purpose of changing our place of incorporation

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from Bermuda to Switzerland (the Scheme of Arrangement). As a result of the Scheme of Arrangement, shareholders of Allied World Bermuda will become shareholders of Allied World Switzerland.

You are also being asked to vote on a proposal to adjourn the meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement proposal. Approval of the adjournment proposal is not a condition to the Scheme of Arrangement. You may also vote on any other business that properly comes before the relevant Special Meeting.

Q: What are the voting recommendations of the Board?

A: Your Board unanimously recommends that you vote:

A. **FOR** the approval of the Scheme of Arrangement, and

B. **FOR** the motion to adjourn the relevant Special Meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement.

Q: How many votes do I have?

A: Holders of outstanding common shares are entitled to one vote per share on each matter to be voted upon by the shareholders at the relevant Special Meeting.

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 on the records of the company's share transfer agent, Continental Stock Transfer & Trust Company, you may appoint a proxy to vote on your behalf:

By internet, at the web address shown on the form of proxy card;

By telephone, using the telephone number shown on the form of proxy card; and

By mail, returning your completed and signed proxy card to the address shown on the form of proxy card.

If you own shares of record, you may also vote your common shares in person at the relevant Special Meeting.

If you own shares through a bank or brokerage firm, you may instead receive from your bank or brokerage firm a voting instruction form with this proxy statement that you may use to instruct them how your shares are to be voted. As with a proxy card, you may direct how your shares are to be voted by completing, signing and returning the voting instructions form in the envelope provided. Many banks and brokerage firms have arranged for internet or telephonic voting of shares and provide instructions for using those services on the voting instruction form. If you want to vote your shares in person at the meeting, you must obtain a proxy from your bank or broker giving you the right to vote your common shares at the relevant Special Meeting.

Allied World Bermuda has requested that bank, brokerage and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of voting common shares and will reimburse the banks, brokers and other fiduciaries for their reasonable out-of-pocket expenses for forwarding the materials.

Q: Who will count the vote?

A: A representative from Conyers Dill & Pearman Limited, a Bermuda law firm, will act as the inspector of elections and will be responsible for determining whether or not a quorum is present and tabulating the votes cast by proxy (which will have been certified by our independent transfer agent) or in person at the relevant Special Meeting.

Q: What does it mean if I receive more than one proxy card?

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

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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 relevant Special Meeting **FOR** each of the proposals, and, as to any other business as may properly come before the Special Meeting, in accordance with the proxyholder's judgment as to such business.

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, but will not be considered votes cast on any of the proposals brought before, the relevant Special Meeting. 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 have discretion to vote your shares on routine matters. More importantly, without instructions from you, your bank or broker will not have discretion to vote on non-routine matters, such as the approval of the Scheme of Arrangement.

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:

Voting again over the internet or by telephone prior to 7:00 p.m., Eastern Time, on November 17, 2010;

Providing the Corporate Secretary with written notice of revocation, by voting in person at the relevant Special 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; or

If you own shares through a bank or brokerage firm, obtaining a proxy from your bank or broker giving you the right to vote your common shares at the relevant Special Meeting.

Attendance at a Special 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 relevant Special Meeting will revoke your proxy.

Q: How does the voting take place at the relevant Special Meeting?

A: A vote by poll will be taken on all matters properly brought before the relevant Special Meeting. On a vote by poll, 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: Who pays the costs of soliciting proxies?

A: The cost of the solicitation of proxies will be borne by Allied World Bermuda. Solicitation will be made by mail, and may be made by the company's directors, officers and employees, personally or by telephone, facsimile or other electronic means, for which the company's directors, officers and employees will not receive any additional compensation. Proxy cards and materials also will be distributed to beneficial owners of voting common shares

through banks, brokers, custodians, nominees and other parties, and the company expects to reimburse such parties for their charges and expenses. MacKenzie Partners, Inc. has been retained to assist the company in the solicitation of proxies at a fee not expected to exceed \$8,000, plus out-of-pocket expenses.

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OVERVIEW OF THE REDOMESTICATION

We are seeking your approval of the Scheme of Arrangement at the Special Meetings that will effectively change our place of incorporation from Bermuda to Switzerland.

The Scheme of Arrangement involves several steps. Allied World Bermuda, the Bermuda company whose common shares you currently own, has formed a new corporation registered in Switzerland named Allied World Assurance Company Holdings, AG (as defined above, Allied World Switzerland) as a direct, wholly-owned subsidiary. On October 1, 2010, we made application to the Supreme Court of Bermuda (the Supreme Court) to order the calling of a meeting of holders of Allied World Bermuda voting common shares (and immediately thereafter a meeting of holders of Allied World Bermuda non-voting common shares) to approve the Scheme of Arrangement. On October 7, 2010, the Supreme Court ordered us to seek your approval of the Scheme of Arrangement. We will hold the Special Meetings to approve the Scheme of Arrangement on November 18, 2010. If we obtain the necessary shareholder approval, the Supreme Court will have a sanction hearing on or about November 26, 2010 to approve the Scheme of Arrangement (the Sanction Hearing). Assuming we receive the necessary approvals from the shareholders and the Supreme Court and the other conditions to consummation of the Scheme of Arrangement are satisfied, the following steps will occur pursuant to the Scheme of Arrangement:

- (1) all previously outstanding common shares of Allied World Bermuda will be cancelled;
- (2) Allied World Bermuda will issue such number of voting and non-voting common shares as are outstanding as of the effectiveness of the Scheme of Arrangement to Allied World Switzerland (which will constitute all of Allied World Bermuda s outstanding common shares at such time); and
- (3) Allied World Switzerland will issue (i) voting shares of Allied World Switzerland on a one-for-one basis to the holders of Allied World Bermuda voting common shares that have been cancelled and (ii) non-voting participation certificates of Allied World Switzerland having no voting rights on a one-for-one basis to the holders of Allied World Bermuda non-voting common shares that have been cancelled.

As a result of the Scheme of Arrangement, the holders of voting common shares of Allied World Bermuda will become holders of voting shares of Allied World Switzerland, the holders of non-voting common shares of Allied World Bermuda will become holders of non-voting participation certificates of Allied World Switzerland, and Allied World Bermuda will become a wholly-owned subsidiary of Allied World Switzerland.

In connection with the consummation of the Scheme of Arrangement:

Allied World Switzerland may issue additional voting shares of Allied World Switzerland to be held in treasury (the Treasury Shares), subject to the 10% aggregate share and participation capital limit under Swiss law, in order to satisfy delivery obligations under certain of our equity-based incentive plans and under the put agreements we may enter into with the holders of the Allied World Switzerland non-voting participation certificates and warrants with respect to non-voting participation certificates (see Description of Allied World Switzerland Shares Participation Certificates); and

pursuant to the terms of Allied World Bermuda s warrants outstanding on the date of the consummation of the Scheme of Arrangement, Allied World Switzerland will assume Allied World Bermuda s obligations under the warrants and will agree to issue voting shares and/or non-voting participation certificates of Allied World Switzerland (rather than Allied World Bermuda shares) upon exercise of the warrants in accordance with their

terms.

As of September 30, 2010, there were 38,944,723 voting common shares of Allied World Bermuda outstanding, 3,449,853 non-voting common shares outstanding, and warrants outstanding to purchase up to 2,000,000 voting common shares and up to 1,500,000 non-voting common shares of Allied World Bermuda. In addition, as of such date there were 3,060,433 voting common shares of Allied World Bermuda reserved for issuance pursuant to outstanding equity awards and an additional 3,519,864 voting common shares available for issuance but unissued under Allied World Bermuda's equity-based incentive plans. Allied World Bermuda also held 8,399,326 common shares in treasury. Immediately after completion of the Redomestication (as defined below), our new parent company Allied World Switzerland will have the same number of Allied World Switzerland voting

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shares and non-voting participation certificates as there were voting common shares and non-voting common shares, respectively, outstanding for Allied World Bermuda immediately before completion of the transaction. Prior to the effective date of the Scheme of Arrangement, we plan to cancel a sufficient number of Allied World Bermuda common shares held in treasury so that the aggregate par value of all Allied World Switzerland voting shares and non-voting participation certificates we may hold in treasury will be 10% or less of the aggregate share and participation capital.

We refer to the foregoing transactions, including the steps of the Scheme of Arrangement, as the Redomestication.

The following diagram shows the structure of Allied World Bermuda before the Redomestication and following the Redomestication. The diagram does not reflect all of the legal entities owned by Allied World Bermuda.

Following the Redomestication, our outstanding 7.50% Senior Notes due August 1, 2016 (the Senior Notes) will remain outstanding at Allied World Bermuda. Subsequent to the solicitation of votes pursuant to this proxy statement, Allied World Bermuda will seek the consent of the noteholders solely for the purpose of removing the contractual requirement in the indenture governing the notes that would require Allied World Bermuda to continue to file periodic reports with the U.S. Securities and Exchange Commission (SEC) following the Redomestication (which would be in addition to the SEC reports that will be required of Allied World Switzerland). The consent of the noteholders is not a condition to the completion of the Scheme of Arrangement. Following the Redomestication, Allied World Switzerland will fully and unconditionally guarantee the Senior Notes.

In this proxy statement, we sometimes refer to Allied World Bermuda and Allied World Switzerland as we, our, us or the company and which, as the context so requires, includes Allied World Bermuda or Allied World Switzerland and its subsidiaries as a consolidated group. Also, in this proxy statement, \$ refers to U.S. dollars and CHF to Swiss francs. All amounts of Swiss francs reported in this proxy statement, or metrics reported in U.S. dollars that are based on Swiss francs (for example par value and share capital amounts for Allied World Switzerland), assume an exchange rate of CHF 1.085 to \$1.00, the exchange rate prevailing on June 30, 2010.

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QUESTIONS AND ANSWERS ABOUT THE REDOMESTICATION

Q: What am I being asked to vote on at the meeting?

A: You are being asked to vote on a Scheme of Arrangement under Bermuda law, whereby your common shares of Allied World Bermuda will be cancelled and you will receive, on a one-for-one basis, new voting shares or non-voting participation certificates of Allied World Switzerland, which will reflect your current holding of common shares in Allied World Bermuda, for the purpose of changing our place of incorporation from Bermuda to Switzerland. As a result of the Scheme of Arrangement, shareholders of Allied World Bermuda will become shareholders of Allied World Switzerland. Many of the principal attributes of Allied World Bermuda's voting shares and non-voting shares and Allied World Switzerland's voting shares and non-voting participation certificates, respectively, will be similar. However, there are differences between your rights under Swiss law and under Bermuda law. In addition, there are differences between Allied World Bermuda's memorandum of association and bye-laws and Allied World Switzerland's articles of association and organizational regulations that will become effective after the completion of the Redomestication. We discuss these differences in detail under [Description of Allied World Switzerland Shares](#) and [Comparison of Rights of Shareholders and Powers of the Board of Directors](#). Copies of forms of Allied World Switzerland's articles of association and organizational regulations are attached as Annex D and Annex E to this proxy statement, respectively.

You are also being asked to vote on a proposal to adjourn the meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement proposal. Approval of the adjournment proposal is not a condition to the Scheme of Arrangement.

Q: Why was Switzerland selected as the place of domicile for Allied World Switzerland?

A: Switzerland is a leading financial center and has a strong reputation for economic and political stability. It is home to several of Europe's major multinational organizations spanning several industries, including power, banking, insurance, consumer products and pharmaceuticals. Switzerland also has a stable and well-developed infrastructure base and is a major transportation hub, providing a base for possible expansion of corporate functions in an optimal centralized European location.

We believe that the Redomestication to Switzerland will help reduce certain reputational, political, regulatory and financial risks to our company. The Redomestication can increase our strategic flexibility while posing no noticeable risks to our operating model, our long-term strategy or our ability to maintain a competitive worldwide effective corporate tax rate.

Switzerland also has a well-developed legal system that we believe encourages a high standard of corporate governance and provides shareholders with substantial rights. Generally, the rights of a shareholder of a Swiss company are substantially similar to, and in some cases more favorable to shareholders than, the rights of a shareholder of a Bermuda company.

Please see [The Redomestication Background and Reasons for the Redomestication](#) for more information. Our board of directors has considered both the potential advantages and risks of the Redomestication and has unanimously approved the Scheme of Arrangement and recommended that the shareholders vote for the Scheme of Arrangement. We cannot assure you, however, that the anticipated benefits of the Redomestication will be realized. In addition to the potential benefits described above, the Redomestication will expose Allied World Bermuda and its shareholders to certain risks. Please see the discussion under [Risk Factors](#).

Q: Will the Redomestication affect our current or future operations?

A: We currently believe that the Redomestication will have no material impact on how we conduct our day-to-day operations. The location of our future operations will depend on the needs of our business, independent of our legal domicile.

Q: Will the Redomestication dilute my economic interest?

A: The Redomestication will not dilute your economic interest in Allied World Bermuda. Immediately after the Redomestication, the number of outstanding voting shares of Allied World Switzerland will be the same as the number of outstanding voting common shares of Allied World Bermuda immediately before the

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Redomestication and the number of outstanding non-voting participation certificates of Allied World Switzerland will be the same as the number of outstanding non-voting common shares of Allied World Bermuda immediately before the Redomestication. For changes in the capital structure that could have a dilutive effect see Description of Allied World Switzerland Shares Capital Structure below.

Q: What are the material tax consequences of the Redomestication?

A: Please read the following questions and answers regarding some of the potential tax consequences of the Redomestication. Please refer to Material Tax Considerations beginning on page 38 for a description of the material U.S. federal income tax and Swiss tax consequences of the Redomestication to Allied World Bermuda shareholders. Determining the actual tax consequences to you of the Redomestication may be complex and will depend on your specific situation. You are urged to consult your tax adviser for a full understanding of the tax consequences of the Redomestication to you.

Q: Is the Redomestication taxable to me?

A: Under U.S. federal income tax law, holders of shares of Allied World Bermuda generally will not recognize a gain or loss in the Redomestication. Under Swiss tax law, no tax is due from non-Swiss holders of Allied World Bermuda shares on the receipt of Allied World Switzerland voting shares or non-voting participation certificates in the Redomestication. Any beneficial owner of Allied World Bermuda shares, and particularly Swiss holders, are urged to consult their tax advisers regarding the tax consequences to them of the Redomestication.

Q: Is the Redomestication a taxable transaction for either Allied World Bermuda or Allied World Switzerland?

A: No. The Redomestication is not a taxable transaction for Allied World Bermuda or Allied World Switzerland.

Q: When do you expect the Redomestication to be completed?

A: We are working towards completing the Redomestication as quickly as possible and, assuming the Scheme of Arrangement is approved by the requisite shareholder votes and by the Supreme Court and the conditions to the consummation of the Scheme of Arrangement are satisfied, we expect to do so as soon as practicable following the Sanction Hearing. We currently expect to complete the Redomestication prior to the year end 2010, but delays may occur. See Annex C for an expected timetable. The Redomestication may be abandoned or delayed for any reason by our board of directors at any time prior to the Special Meetings.

Q: What will I receive for my Allied World Bermuda common shares?

A: After the Redomestication is completed, you will hold one Allied World Switzerland voting share for each Allied World Bermuda voting common share you held immediately prior to the completion of the Redomestication and one Allied World Switzerland non-voting participation certificate for each Allied World Bermuda non-voting common share you held immediately prior to the completion of the Redomestication.

Q: If the Scheme of Arrangement is approved, do I have to take any action to cancel my Allied World Bermuda common shares and receive Allied World Switzerland voting shares or non-voting participation certificates?

A: No. Your Allied World Bermuda common shares will be cancelled and Allied World Switzerland securities will be issued without any action on your part. If you held Allied World Bermuda voting common shares you will

receive Allied World Switzerland voting shares, and if you held Allied World Bermuda non-voting common shares you will receive Allied World Switzerland non-voting participation certificates. All of Allied World Switzerland's voting shares and non-voting participation certificates will be issued in uncertificated book-entry form. Consequently, if you currently hold Allied World Bermuda shares in certificated form, following the Redomestication, your Allied World Bermuda share certificates will cease to have effect as documents or evidence of title. The transfer agent will make an electronic book-entry in your name and will mail you a statement evidencing your ownership of Allied World Switzerland voting shares and/or non-voting participation certificates, as applicable.

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Q: Can I trade Allied World Bermuda shares between the date of this proxy statement and the effective time of the Scheme of Arrangement?

A: Yes. Allied World Bermuda shares will continue to trade on the New York Stock Exchange (NYSE) during this period.

Q: After the Redomestication, where can I trade Allied World Switzerland shares?

A: We intend to apply so that, immediately following the consummation of the Redomestication, the voting shares of Allied World Switzerland will be listed on the NYSE under the symbol AWH, the same symbol under which your common shares are currently listed.

Q: What vote of Allied World Bermuda shareholders is required to approve the proposals?

A: To approve the Scheme of Arrangement, (i) the affirmative vote of a majority in number of the holders of the Allied World Bermuda voting common shares present and voting at the meeting of voting common shareholders, whether in person or by proxy, representing 75% or more in value of the voting common shares present and voting at the meeting, whether in person or by proxy; and (ii) the affirmative vote of a majority in number of the holders of the Allied World Bermuda non-voting common shares present and voting at the meeting of non-voting common shareholders, whether in person or by proxy, representing 75% or more in value of the non-voting common shares present and voting at the meeting, whether in person or by proxy, is required. The affirmative vote of holders of at least a majority of the Allied World Bermuda voting common shares present and voting at the meeting, whether in person or by proxy, is required to approve the adjournment proposal with respect to the meeting of voting common shareholders; and the affirmative vote of holders of at least a majority of the Allied World Bermuda non-voting common shares present and voting at the meeting, whether in person or by proxy, is required to approve the adjournment proposal with respect to the meeting of non-voting common shareholders. Please see Summary Required Vote and General Information Q: How are abstentions and broker non-votes treated? for more information, including a description of the effects of abstentions and broker non-votes on the proposals.

Q: Why is there a Special Meeting of non-voting common shareholders being held following the Special Meeting of voting common shareholders?

A: Under Bermuda law, the Scheme of Arrangement must be separately approved by the holders of Allied World Bermuda s voting and non-voting common shares. The GSCP Funds hold 91.6% of the outstanding non-voting common shares of Allied World Bermuda as of October 12, 2010. In light of the requirement that the holders of the Allied World Bermuda non-voting common shares approve the Scheme of Arrangement, prior to submitting the Scheme of Arrangement and related transactions to our shareholders, we inquired of the GSCP Funds whether they would support the proposed Redomestication transactions. The GSCP Funds have communicated to us that they have determined, on a preliminary basis, to support the transactions. You should note, however, that the GSCP Funds continue to evaluate the transactions and have not committed or in any way obligated themselves to vote for the Scheme of Arrangement, and there is no assurance that the GSCP Funds will not ultimately determine against supporting the Redomestication and to withhold their votes from or cast their votes against the Scheme of Arrangement. If the Scheme of Arrangement is approved, the outstanding non-voting common shares of Allied World Bermuda will be cancelled in exchange for non-voting participation certificates of Allied World Switzerland on a one-for-one basis. The non-voting participation certificates have the same entitlement to dividends and liquidation distributions as the voting shares of Allied World Switzerland, but have no voting or other participation rights in shareholders meetings.

Q: What quorum is required for action at the meeting?

A: The presence of two or more persons at the meeting representing in person or by proxy more than 50% of our total outstanding voting common shares or non-voting common shares, as appropriate, throughout the relevant meeting will constitute a quorum. Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any of the proposals brought before, the meeting. 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

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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 not have discretion to vote on the proposal. Please see Summary Special Court-Ordered Meetings and General Information Q: How are abstentions and broker non-votes treated? for more information, including a description of the effects of abstentions and broker non-votes on the proposals.

Q: Does the Scheme of Arrangement require approval by the Supreme Court of Bermuda?

A: The Scheme of Arrangement cannot be completed without the approval of the Supreme Court of Bermuda. Subject to the holders of common shares of Allied World Bermuda approving the Scheme of Arrangement at the Special Meetings, a Supreme Court hearing will be required to seek the sanction of the Scheme of Arrangement. At the Sanction Hearing, the Supreme Court may impose such conditions as it deems appropriate in relation to the Scheme of Arrangement but may not impose any material changes without the joint consent of Allied World Bermuda and Allied World Switzerland. In determining whether to exercise its discretion and approve the Scheme of Arrangement, the Supreme Court will determine, among other things, whether the Scheme of Arrangement is fair to Allied World Bermuda's shareholders in general.

Q: May I attend the Supreme Court hearing?

Allied World Bermuda common shareholders (including any beneficial owners of such shares that give voting instructions to a custodian or clearing house that subsequently votes on the proposal) who vote either for or against the proposal or who the Supreme Court is satisfied have a substantial economic interest in the Scheme of Arrangement are entitled to appear in person or by counsel at the Supreme Court hearing on or about November 26, 2010 at which Allied World Bermuda will seek the sanction of the Scheme of Arrangement. In addition, the Supreme Court has wide discretion to hear from interested parties. Allied World Bermuda has agreed that it will not object to the participation by any shareholder in the Supreme Court hearing on the grounds that such person does not have a substantial economic interest in its common shares.

Q: What are the most important Swiss corporate tax consequences of being organized as a Swiss holding company?

A: Switzerland imposes a corporate federal income tax on qualifying holding companies at an effective tax rate of 7.83%. However, the federal level qualifying net dividend income and qualifying net capital gains on the sale of qualifying investments in subsidiaries will be exempt from Swiss federal income tax. In addition, we will be subject to an annual capital tax on our year-end taxable equity. We will also be subject to a Swiss issuance stamp tax levied at a rate of 1% on the fair value of issuances of voting shares and non-voting participation certificate and increases of our share and participation capital and other types of increases in equity, other than in connection with qualifying restructurings like the Redomestication. Please refer to the questions and answers below for Swiss withholding tax implications on future share repurchases and dividend distributions of Allied World Switzerland and to Material Tax Considerations Swiss Tax Considerations for a further description of Allied World Switzerland's corporate tax treatment.

The above types of Swiss taxes and rates aim to provide only a very broad overview of some corporate tax aspects in Switzerland and do not purport to be a complete analysis of the tax types and rates that would be relevant for either Allied World Switzerland or its shareholders. We are currently not subject to income, capital, stamp or issuance taxes in Bermuda.

Q: Will there be Swiss withholding tax on future share repurchases, if any, by Allied World Switzerland?

- A: Under present Swiss tax law, repurchases of voting shares or non-voting participation certificates for the purposes of capital reduction are treated as a partial liquidation subject to 35% Swiss withholding tax, regardless of the place of residency of the shareholder. The repurchase of voting shares or non-voting participation certificates for purposes other than capital reduction, such as to retain as Treasury Shares or non-voting treasury participation certificates for use in connection with stock incentive plans, convertible debt or other instruments within certain periods, will generally not be subject to Swiss withholding tax. However, the aggregate par value of all Allied World Switzerland voting shares held as Treasury Shares and non-voting participation certificates held in treasury may not exceed 10% of the aggregate share and participation capital.

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In addition, for voting shares and non-voting participation certificates repurchased for capital reduction, the portion of the repurchase price attributable to the par value of the voting shares and non-voting participation certificates repurchased will not be subject to the Swiss withholding tax. Beginning on January 1, 2011, subject to the adoption of implementing regulations by the applicable Swiss authorities, the portion of the repurchase price attributable to the qualifying additional paid-in capital for Swiss statutory reporting purposes of the voting shares and non-voting participation certificates repurchased will also not be subject to the Swiss withholding tax.

In most instances, Swiss companies listed on the SIX Swiss Exchange (SIX) carry out share repurchase programs through a second trading line on the SIX. Swiss institutional investors typically purchase shares from shareholders on the open market and then sell the shares on this second trading line back to the company. The Swiss institutional investors are generally able to receive a full refund of the withholding tax. Due to, among other things, the time delay between the sale to the company and the institutional investors receipt of the refund, the price companies pay to repurchase their shares has historically been slightly higher than the price of such companies shares in ordinary trading on the SIX first trading line.

We will not be able to use the SIX second trading line process to repurchase our voting shares or non-voting participation certificates because we do not intend to list our voting shares or non-voting participation certificates on the SIX. We do, however, intend to follow an alternative process whereby we expect to be able to repurchase our voting shares in a manner that should allow Swiss institutional market participants selling the voting shares to us to receive a refund of the Swiss withholding tax and, therefore, accomplish the same purpose as share repurchases on the second trading line at substantially the same cost to us and such market participants as share repurchases on a second trading line.

Q: Will there be Swiss withholding tax on future dividends, if any, by Allied World Switzerland?

A: A Swiss withholding tax of 35% is due on dividends and similar distributions to Allied World Switzerland shareholders and holders of non-voting participation certificates from Allied World Switzerland, regardless of the place of residency of the holder, subject to the exceptions discussed below. Allied World Switzerland will be required to withhold at such rate and remit on a net basis any payments made to a holder of Allied World Switzerland voting shares and non-voting participation certificates and pay such withheld amounts to the Swiss federal tax authorities.

Under present Swiss tax law, distributions to shareholders and holders of non-voting participation certificates in relation to a reduction of par value are exempt from Swiss withholding tax. Beginning on January 1, 2011, subject to the adoption of implementing regulations by the applicable Swiss authorities, distributions to shareholders and holders of non-voting participation certificates out of qualifying additional paid-in capital for Swiss statutory purposes also will be exempt from the Swiss withholding tax. Upon completion of the Redomestication, we expect Allied World Switzerland to have a par value and qualifying additional paid-in capital per share for Swiss statutory reporting purposes, such that the combination of the two will equal the fair market value of the contributed share and participation capital of Allied World Bermuda. Consequently, Allied World Switzerland expects that a substantial amount of any potential future distributions may be exempt from Swiss withholding tax. For a description of how qualifying additional paid-in capital can be distributed under Swiss law, see Description of Allied World Switzerland Shares Dividends.

Table of Contents**Q: What is qualifying additional paid-in capital?**

A: Under Swiss statutory reporting requirements, qualifying additional paid-in capital per voting share and per participation certificate represents the amount by which the issue price of a voting share or non-voting participation certificate, respectively, exceeds its par value. Following approval by shareholders of a reclassification of qualifying additional paid-in capital as freely distributable reserves, qualifying additional paid-in capital may, subject to the restrictions described under Description of Allied World Switzerland Shares Dividends and Description of Allied World Switzerland Shares Repurchases of Shares, be returned to shareholders and holders of non-voting participation certificates, including through dividends and repurchases of voting shares and non-voting participation certificates. Beginning on January 1, 2011, subject to the adoption of implementing regulations by the applicable Swiss authorities, distributions to shareholders or holders of non-voting participation certificates out of qualifying additional paid-in capital should be exempt from Swiss withholding tax. Currently, only distributions in relation to a reduction of par value are exempt from Swiss withholding tax. Please note that qualifying additional paid-in capital for Allied World Switzerland's statutory reporting purposes will not be the same as additional paid-in capital reflected on Allied World Switzerland's consolidated financial statements prepared in accordance with U.S. generally accepted accounting principals (U.S. GAAP).

Q: How will qualifying additional paid-in capital for Swiss statutory reporting purposes be determined?

A: Qualifying additional paid-in capital of Allied World Switzerland for Swiss statutory reporting purposes will represent the issue price of Allied World Switzerland voting shares and non-voting participation certificates less their aggregate par value. This issue price will be determined based on the fair market value of the contributed share capital of Allied World Bermuda, which will be based on the average trading price of Allied World Bermuda common shares on the NYSE over the five business days ending on the second business day prior to the date of the Special Meetings (the pricing period) plus a share premium of up to 30%, the final amount of which, if any, will be determined on the effective date of the Scheme of Arrangement based on a number of factors, including the volatility and price of the shares during the pricing period. The aggregate par value of Allied World Switzerland voting shares and non-voting participation certificates will equal the product of the number of Allied World Switzerland voting shares and non-voting participation certificates issued in the Redomestication times the par value per share, or \$15.00. As a result, qualifying additional paid-in-capital will represent the fair market value of Allied World Bermuda's share capital on the effective date of the Scheme of Arrangement less the aggregate par value of the Allied World Switzerland issued voting shares and non-voting participation certificates (including the shares of Allied World Switzerland initially issued to Allied World Bermuda upon formation).

The following table presents shareholders' equity, as adjusted, in accordance with Swiss statutory reporting requirements as if the Redomestication had occurred on June 30, 2010. The following table assumes the fair market value of the contributed share capital of Allied World Bermuda was \$2.30 billion, which is based on the average stock price during a pricing period ending on June 30, 2010 and does not include any share premium. Assuming a 15% and 30% premium, respectively, the assumed fair market value of the contributed share capital would have been \$2.65 billion and \$3.00 billion, respectively, and qualifying additional paid-in capital would have been \$2.16 billion and \$2.50 billion, respectively. Because the amount of the premium, if any, will be derived based on the volatility and price of the shares during the pricing period, we cannot determine the exact amount of the premium, if any, until after the pricing period.

**At June 30, 2010
(in millions, except**

	share and per share amounts)	
Shareholders' equity:		
Shares, \$15.00 par value, 49,407,301 issued	\$	741.1
Qualifying additional paid-in capital		1,563.3
Retained earnings(a)		
 Total shareholders' equity	 \$	 2,304.4

(a) As this relates to a newly formed holding company, the retained earnings are zero.

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See Summary Unaudited Summary Pro Forma Financial Information for a pro forma presentation of Allied World Switzerland's shareholders' equity under U.S. GAAP.

Q: Whom should I call if I have questions about the meeting or the Redomestication?

A: You should contact either of the following:

MacKenzie Partners, Inc., the proxy solicitor
105 Madison Avenue
New York, NY, 10016
Telephone: (800) 322-2885

or

Wesley D. Dupont, Corporate Secretary
Allied World Assurance Company Holdings, Ltd
27 Richmond Road
Pembroke HM 08, Bermuda
Telephone: (441) 278-5400

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SUMMARY

*This summary highlights selected information from this proxy statement. It does not contain all of the information that is important to you. To understand the Redomestication more fully, and for a more complete legal description of the Scheme of Arrangement, you should read carefully the entire proxy statement, including Risk Factors and the annexes. The Scheme of Arrangement, attached as Annex A to this proxy statement, is the legal document that governs the Scheme of Arrangement. The articles of association and organizational regulations of Allied World Switzerland, substantially in the forms attached as Annex D and Annex E to this proxy statement, respectively, will govern our company after the completion of the Redomestication. **We encourage you to read those documents carefully.***

Parties to the Scheme of Arrangement

Allied World Bermuda. We are a Bermuda-based holding company with subsidiaries that underwrite 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 year ended December 31, 2009, our U.S. insurance, international insurance and reinsurance segments accounted for 39.8%, 32.8% and 27.4%, respectively, of our total gross premiums written of \$1,696.3 million. As of December 31, 2009, we had \$9,653.2 million of total assets and \$3,213.3 million of shareholders' equity.

We were formed in November 2001 by a group of investors, including American International Group, Inc. (AIG), The Chubb Corporation (Chubb), the GSCP Funds 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.

Internationally, we first established a presence in Europe when Allied World Assurance Company (Europe) Limited was approved to carry on business in the European Union from its office in Ireland in October 2002 and from a branch office in London in May 2003. Allied World Assurance Company (Reinsurance) Limited was approved to write reinsurance in the European Union from its office in Ireland in July 2003 and from a branch office in London, England in August 2004. In October 2008, we expanded our European presence when Allied World Assurance Company (Reinsurance) Limited opened a branch office in Zug, Switzerland to further penetrate the European market.

In July 2002, we established a presence in the United States when we acquired two insurance companies, Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company. We have recently made substantial investments to expand our U.S. business, which grew significantly in 2009 and which we expect will continue to grow in size and importance in the coming years. In February 2008, we acquired a U.S. reinsurance company we subsequently renamed Allied World Reinsurance Company and we write our U.S. reinsurance business through this company. In October 2008, we acquired Darwin Professional Underwriters, Inc. and its subsidiaries to expand our U.S. insurance platform. We currently have nine offices in the United States, including offices in Atlanta, Georgia and Costa Mesa and Los Angeles, California that opened in 2008 and an office in Dallas, Texas that opened in 2009.

Our corporate expansion continued into Asia when Allied World Assurance Company, Ltd opened branch offices in Hong Kong in March 2009 and in Singapore in December 2009.

Our principal executive office is located at 27 Richmond Road, Pembroke HM 08, Bermuda, and our telephone number is (441) 278-5400.

Allied World Switzerland. Allied World Switzerland is a newly formed Swiss corporation and is currently wholly-owned by Allied World Bermuda. Allied World Switzerland has only nominal assets and capitalization and has not engaged in any business or other activities other than in connection with its formation and the Scheme of

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Arrangement. As a result of the Redomestication, Allied World Switzerland will become the parent holding company of Allied World Bermuda and its subsidiaries.

The principal executive office of Allied World Switzerland is expected to be located at Lindenstrasse 8, CH-6340 Zug, Switzerland.

The Redomestication

The Scheme of Arrangement will effectively change our place of incorporation from Bermuda to Switzerland.

Scheme of Arrangement. The Scheme of Arrangement involves several steps. Allied World Bermuda, the Bermuda company whose common shares you currently own, has formed Allied World Switzerland, as a direct, wholly-owned subsidiary. On October 1, 2010, we made application to the Supreme Court to order the calling of a meeting of holders of Allied World Bermuda voting common shares (and immediately thereafter a meeting of holders of Allied World Bermuda non-voting common shares) to approve the Scheme of Arrangement. On October 7, 2010, the Supreme Court ordered us to seek your approval of the Scheme of Arrangement. We will hold the Special Meetings to approve the Scheme of Arrangement on November 18, 2010. If we obtain the necessary shareholder approval, the Supreme Court will have the Sanction Hearing on or about November 26, 2010 to approve the Scheme of Arrangement. Assuming we receive the necessary approvals from the shareholders and the Supreme Court, we will file the court order sanctioning the Scheme of Arrangement with the Bermuda Registrar of Companies, at which time the Scheme of Arrangement will be effective.

Once the Scheme of Arrangement is effective, and the other conditions to consummation of the Scheme of Arrangement are satisfied, the following steps will occur:

- (1) all previously outstanding common shares of Allied World Bermuda will be cancelled;
- (2) Allied World Bermuda, acting on behalf of its shareholders, pursuant to a Contribution-in-Kind Agreement entered into by Allied World Bermuda and Allied World Switzerland (the Contribution-in-Kind Agreement) substantially in the form attached as Annex F to this proxy statement, will issue such number of voting common shares and non-voting common shares as are outstanding as of the effectiveness of the Scheme of Arrangement to Allied World Switzerland (which will constitute all of Allied World Bermuda s outstanding common shares at such time);
- (3) Allied World Switzerland will increase its share and participation capital by an amount equal to the aggregate par value of the new voting shares and non-voting participation certificates and file amended articles of association reflecting the share and participation capital increase with the Swiss commercial register (the commercial register); and
- (4) the new voting shares of Allied World Switzerland will be delivered on a one-for-one basis to the holders of Allied World Bermuda voting common shares that have been cancelled and the new non-voting participation certificates of Allied World Switzerland will be delivered on a one-for-one basis to the holders of Allied World Bermuda non-voting common shares that have been cancelled.

As a result of the Scheme of Arrangement, the holders of voting common shares of Allied World Bermuda will become holders of voting common shares of Allied World Switzerland, the holders of non-voting common shares of Allied World Bermuda will become holders of non-voting participation certificates of Allied World Switzerland, and Allied World Bermuda will become a wholly-owned subsidiary of Allied World Switzerland.

In connection with consummation of the Scheme of Arrangement:

Allied World Switzerland may issue additional Treasury Shares in exchange for common shares held by Allied World Bermuda in treasury on the date the Scheme of Arrangement becomes effective on a one-for-one basis, subject to the 10% aggregate share and participation capital limit under Swiss law, in order to satisfy delivery obligations under our equity-based incentive plans and delivery obligations under the put agreements we may enter into with the holders of the Allied World Switzerland non-voting participation certificates and warrants with respect to non-voting participation certificates (see Description of Allied World Switzerland Shares Participation Certificates); and

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pursuant to the terms of Allied World Bermuda's warrants outstanding on the date of the consummation of the Scheme of Arrangement, Allied World Switzerland will assume Allied World Bermuda's obligations under the warrants and will agree to issue voting shares and/or non-voting participation certificates of Allied World Switzerland (rather than Allied World Bermuda shares) upon exercise of the warrants in accordance with their terms.

As of September 30, 2010, there were 38,944,723 voting common shares of Allied World Bermuda outstanding, 3,449,853 non-voting common shares outstanding, and warrants outstanding to purchase up to 2,000,000 voting common shares and up to 1,500,000 non-voting common shares of Allied World Bermuda. In addition, as of such date there were an aggregate of 6,969,717 voting common shares of Allied World Bermuda reserved for issuance pursuant to outstanding equity awards, or available for issuance but unissued, under its equity compensation plans. Further, we held 8,399,326 common shares of Allied World Bermuda in treasury.

After the Redomestication, you will continue to own an interest in a parent company that will continue to conduct the same business operations as conducted by Allied World Bermuda before the Redomestication. The number of shares you will own in Allied World Switzerland will be the same as the number of shares you owned in Allied World Bermuda immediately prior to the Redomestication, and your relative economic interest in the Allied World Bermuda group will remain unchanged.

The completion of the Redomestication will change the governing law that applies to us from Bermuda law to Swiss law. There are differences between Bermuda law and Swiss law and between Allied World Bermuda's memorandum of association and bye-laws on the one hand, and Allied World Switzerland's articles of association and organizational regulations on the other hand. See "Comparison of Rights of Shareholders and Powers of the Board of Directors" for a summary of some of these differences.

Upon completion of the Redomestication, we will remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act and the applicable corporate governance rules of the NYSE, and we will continue to report our financial results in U.S. dollars and under U.S. GAAP. Under Swiss corporate and tax law, we will also have to report the statutory annual accounts of Allied World Switzerland in CHF.

Assuming that the Scheme of Arrangement is approved by holders of our voting and non-voting common shares and the conditions to the consummation of the Scheme of Arrangement are satisfied, we anticipate that the Scheme of Arrangement will become effective as soon as practicable following approval of the Supreme Court at the Sanction Hearing on or about November 26, 2010, and upon our filing of the court order sanctioning the Scheme of Arrangement with the Bermuda Registrar of Companies, and will settle on the following business day. In the Scheme of Arrangement and this proxy statement, the "Transaction Time" refers to the time at which such settlement occurs.

Reasons for the Redomestication

We presently operate out of 16 different offices located in eight different countries and provide insurance and reinsurance coverage worldwide. Our board of directors has determined that it is in the best interests of Allied World Bermuda and its shareholders to change our place of incorporation from Bermuda to Switzerland based in part on Switzerland:

being a leading financial center,

having a strong reputation for economic and political stability as well a tradition of respecting the rule of law,

having a sophisticated insurance and reinsurance regulatory environment within which we can operate,

having numerous tax treaties and excellent relations with major developed and developing countries around the world,

being in close proximity to the established tax environment of the European Union, and

providing a base for possible expansion of corporate functions in an optimal centralized European location.

We believe that the Redomestication will help promote our stature and visibility by becoming a member of an international community that is home to some of Europe's major multinational organizations. The Redomestication

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will help us reduce certain reputational, political, regulatory and financial risks to our company and increase our strategic flexibility while posing no noticeable risks to our operating model, our long-term strategy and our ability to maintain a competitive worldwide effective corporate tax rate.

We carefully considered the effects of the Redomestication on our shareholders. Switzerland has a well-developed legal system that encourages a high standard of corporate governance and provides shareholders with substantial rights similar to, and in some cases more favorable to shareholders than, the rights of shareholders under Bermuda law. Following the Redomestication we will remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act and the corporate governance rules of the NYSE. For more information on our reasons for the Redomestication, please see [The Redomestication Background and Reasons for the Redomestication](#). In addition to the potential benefits described above, the Redomestication will expose Allied World Bermuda and its shareholders to certain risks. Please see the discussion under [Risk Factors](#).

Tax Considerations

Under U.S. federal income tax law, holders of shares of Allied World Bermuda generally will not recognize a gain or loss in the Redomestication. Under Swiss tax law, no tax is due for non-Swiss holders of Allied World Bermuda common shares on the receipt of Allied World Switzerland voting shares in the Scheme of Arrangement. Please refer to [Material Tax Considerations](#) for a description of the material U.S. federal income tax and Swiss tax consequences of the Redomestication to Allied World Bermuda shareholders. Determining the actual tax consequences of the Redomestication to you may be complex and will depend on your specific situation. You are urged to consult your tax adviser for a full understanding of the tax consequences of the Redomestication to you.

Rights of Shareholders

Many of the principal attributes of Allied World Bermuda's voting common shares and Allied World Switzerland's voting shares will be similar. However, there are differences between your rights under Swiss law and under Bermuda law. In addition, there are differences between Allied World Bermuda's memorandum of association and bye-laws and Allied World Switzerland's proposed articles of association and organizational regulations. We discuss these differences in detail under [Description of Allied World Switzerland Shares](#) and [Comparison of Rights of Shareholders and Powers of the Board of Directors](#). Copies of forms of Allied World Switzerland's proposed articles of association and organizational regulations are attached as Annex D and Annex E to this proxy statement, respectively.

Stock Exchange Listing

We intend to apply so that, immediately following the consummation of the Redomestication, the voting shares of Allied World Switzerland will be listed on the NYSE under the symbol [AWH](#), the same symbol under which your common shares are currently listed.

Conditions to Consummation of the Scheme of Arrangement

The Scheme of Arrangement will not be completed unless, among other things, the following conditions are satisfied or, if allowed by law, waived: (i) the Allied World Switzerland voting shares to be issued in connection with the Scheme of Arrangement are authorized for listing on the NYSE, subject to official notice of issuance; and (ii) neither Allied World Bermuda nor Allied World Switzerland is subject to any governmental decree, order or injunction that prohibits the consummation of the Scheme of Arrangement.

In addition, Allied World Bermuda must obtain, prior to the consummation of the Scheme of Arrangement, (i) an opinion from Willkie Farr & Gallagher LLP, in form and substance reasonably satisfactory to it, confirming, as of the

effective date of the Scheme of Arrangement, the matters of U.S. federal income tax law discussed under Material Tax Considerations U.S. Federal Income Tax Considerations; and (ii) an opinion from PricewaterhouseCoopers AG, in form and substance reasonably satisfactory to it, confirming, as of the effective date of the Scheme of Arrangement, the matters of Swiss tax law discussed under Material Tax Considerations Swiss Tax Considerations.

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Court Approval of the Scheme of Arrangement

The Scheme of Arrangement cannot be completed without the approval of the Supreme Court of Bermuda. Subject to the holders of common shares of Allied World Bermuda approving the Scheme of Arrangement, a Supreme Court hearing will be required to seek the sanction of the Scheme of Arrangement. At the Sanction Hearing, the Supreme Court may impose such conditions as it deems appropriate in relation to the Scheme of Arrangement but may not impose any material changes without the joint consent of Allied World Bermuda and Allied World Switzerland. In determining whether to exercise its discretion and approve the Scheme of Arrangement, the Supreme Court will determine, among other things, whether the Scheme of Arrangement is fair to the holders of Allied World Bermuda's shareholders in general.

Market Price of Allied World Bermuda Common Shares

On September 29, 2010, the last trading day before the public announcement of the Redomestication, the closing price of the Allied World Bermuda common shares on the NYSE was \$56.60 per share. On October 12, 2010, the most recent practicable date before the date of this proxy statement, the closing price of the Allied World Bermuda common shares on the NYSE was \$56.35 per share.

No Appraisal Rights

Under Bermuda law, the shareholders of Allied World Bermuda do not have any right to an appraisal of the value of their shares or payment for them in connection with the Scheme of Arrangement.

Accounting Treatment of the Scheme of Arrangement

Under U.S. GAAP, the Scheme of Arrangement represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at cost. Accordingly, the assets and liabilities of Allied World Switzerland will be reflected at their carrying amounts in the accounts of Allied World Bermuda at the Transaction Time.

Special Court-Ordered Meetings

Time, Place, Date and Purpose. The Special Meeting of the holders of voting common shares will be held on November 18, 2010 at 10:00 a.m., local time, (and immediately thereafter the Special Meeting of the holders of non-voting common shares will be held) at our offices, located at 27 Richmond Road, Pembroke HM 08, Bermuda. At each meeting, Allied World Bermuda's board of directors will ask the holders of common shares to vote to approve:

the Scheme of Arrangement, pursuant to which (i) the holders of Allied World Bermuda voting common shares will have their voting common shares of Allied World Bermuda cancelled and will receive new voting shares, par value \$15.00 per share, of Allied World Switzerland on a one-for-one basis for outstanding Allied World Bermuda voting common shares and (ii) the holders of Allied World Bermuda non-voting common shares will have their non-voting common shares of Allied World Bermuda cancelled and will receive non-voting participation certificates, par value \$15.00 per certificate, of Allied World Switzerland on a one-for-one basis for outstanding Allied World Bermuda non-voting common shares;

a motion to adjourn the relevant Special Meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement; and

any other matters that properly come before the relevant Special Meeting and any adjournments or postponements of the meeting.

Record Date. Only holders of record of Allied World Bermuda common shares as of the close of business on October 12, 2010 are entitled to notice of and to vote at the relevant Special Meeting or any adjournment or postponement of the relevant Special Meeting.

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Quorum. The presence of two or more persons at each meeting representing in person or by proxy more than 50% of our total outstanding voting common shares or non-voting common shares, as applicable, throughout the meeting will constitute a quorum. Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any of the proposals brought before, the Special Meetings.

Recommendation of the Board of Directors

The Allied World Bermuda board of directors unanimously recommends that Allied World Bermuda's shareholders vote **FOR** the Scheme of Arrangement. The Allied World Bermuda board of directors also unanimously recommends that Allied World Bermuda's shareholders vote **FOR** the proposal to adjourn the meeting to a later date if there are insufficient votes at the time of the meeting to approve the Scheme of Arrangement proposal. Approval of the adjournment proposal is not a condition to the Scheme of Arrangement.

Required Vote

The Scheme of Arrangement requires (i) the affirmative vote of a majority in number of the holders of the Allied World Bermuda voting common shares present and voting at the meeting of voting common shareholders, whether in person or by proxy, representing 75% or more in value of the voting common shares present and voting at the meeting, whether in person or by proxy, and (ii) the affirmative vote of a majority in number of the holders of the Allied World Bermuda non-voting common shares present and voting at the meeting of non-voting common shareholders, whether in person or by proxy, representing 75% or more in value of the non-voting common shares present and voting at the meeting, whether in person or by proxy. The affirmative vote of holders of at least a majority of the Allied World Bermuda voting common shares present and voting at the meeting, whether in person or by proxy, is required to approve the adjournment proposal with respect to the meeting of voting common shareholders; and the affirmative vote of holders of at least a majority of the Allied World Bermuda non-voting common shares present and voting at the meeting, whether in person or by proxy, is required to approve the adjournment proposal with respect to the meeting of non-voting common shareholders.

Table of Contents**Selected Historical Financial Data**

The following table sets forth our summary historical statement of operations data and summary balance sheet data as of and for the six months ended June 30, 2010 (derived from our unaudited consolidated financial statements) and for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 (derived from our audited consolidated financial statements), all of which have been prepared in accordance with U.S. GAAP. These historical results are not necessarily indicative of results to be expected from any future period. For further discussion of this risk see Item 1A.

Risk Factors in our Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on March 1, 2010 which is incorporated by reference in this proxy statement.

	Six Months Ended June 30,		Year Ended December 31,					
	2010	2009	2009	2008	2007	2006	2005	
	(unaudited)		(\$ in millions, except per share amounts and ratios)					
Summary Statement of Operations Data:								
Gross premiums written	\$ 998.0	\$ 972.4	\$ 1,696.3	\$ 1,445.6	\$ 1,505.5	\$ 1,659.0	\$ 1,560.3	
Net premiums written	\$ 803.1	\$ 766.4	\$ 1,321.1	\$ 1,107.2	\$ 1,153.1	\$ 1,306.6	\$ 1,222.0	
Net premiums earned	\$ 677.2	\$ 657.6	\$ 1,316.9	\$ 1,117.0	\$ 1,159.9	\$ 1,252.0	\$ 1,271.5	
Net investment income	134.5	154.4	300.7	308.8	297.9	244.4	178.6	
Net realized investment gains (losses)	172.4	41.7	126.4	(60.0)	37.0	(4.8)	(10.2)	
Net impairment charges recognized in earnings	(0.2)	(47.4)	(49.6)	(212.9)	(44.6)	(23.9)		
Other income	0.9	0.8	1.5	0.7				
Net losses and loss expenses	420.9	326.2	604.1	641.1	682.3	739.1	1,344.6	
Acquisition costs	78.7	74.1	148.9	112.6	119.0	141.5	143.4	
General and administrative expenses	131.5	118.9	248.6	185.9	141.6	106.1	94.3	
Amortization and impairment of intangible assets	1.8	2.1	11.1	0.7				
Interest expense	19.0	20.0	39.0	38.7	37.8	32.6	15.6	
	1.6	(0.4)	0.7	(1.4)	(0.8)	0.6	2.2	

Foreign exchange									
Loss (gain)									
Income tax									
Expense (benefit)	13.6	21.1	36.6	(7.6)	1.1	5.0	(0.4)		
Net income (loss)	\$ 317.7	\$ 245.1	\$ 606.9	\$ 183.6	\$ 469.2	\$ 442.8	\$ (159.8)		
Per Share Data:									
Earnings (loss)									
Per share (1):									
Basic	\$ 6.34	\$ 4.96	\$ 12.26	\$ 3.75	\$ 7.84	\$ 8.09	\$ (3.19)		
Diluted	5.98	4.79	11.67	3.59	7.53	7.75	(3.19)		
Weighted average									
Number of									
Common shares									
Outstanding (2):									
Basic	50,123,945	49,386,549	49,503,438	48,936,912	59,846,987	54,746,613	50,162,842		
Diluted	53,086,708	51,215,808	51,992,674	51,147,215	62,331,165	57,115,172	50,162,842		
Dividends									
Declared per share	\$ 0.40	\$ 0.36	\$ 0.74	\$ 0.72	\$ 0.63	\$ 0.15	\$ 9.93		

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	Six Months Ended June 30, 2010		2009	Year Ended December 31, 2008			2005
	2009	(unaudited)		2007	2006		
Selected Ratios:							
Loss and loss expense ratio(3)	62.1%	49.6%	45.9%	57.4%	58.8%	59.0%	105.7%
Acquisition cost ratio(4)	11.6	11.3	11.3	10.1	10.3	11.3	11.3
General and administrative expense ratio(5)	19.4	18.1	18.9	16.6	12.2	8.5	7.4
Expense ratio(6)	31.0	29.4	30.2	26.7	22.5	19.8	18.7
Combined ratio(7)	93.1	79.0	76.1	84.1	81.3	78.8	124.4

	As of June 30, 2010		2009	As of December 31, 2008			2005
	2009	(unaudited)		2007	2006		
(\$ in millions, except per share amounts)							

Summary Balance**Sheet Data:**

Cash and cash equivalents	\$ 442.7	\$ 475.7	\$ 292.2	\$ 655.8	\$ 202.6	\$ 366.8	\$ 172.4
Investments at fair value	7,420.6	6,652.8	7,156.3	6,157.1	6,029.3	5,440.3	4,687.4
Reinsurance recoverable	932.4	909.7	920.0	888.3	682.8	689.1	716.3
Total assets	10,214.4	9,630.6	9,653.2	9,022.5	7,899.1	7,620.6	6,610.5
Reserve for losses and loss expenses	4,920.4	4,713.7	4,761.8	4,576.8	3,919.8	3,637.0	3,405.4
Unearned premiums	1,070.0	1,066.7	928.6	930.4	811.1	813.8	740.1
Total debt	499.0	498.9	498.9	742.5	498.7	498.6	500.0
Total shareholders' equity	3,468.5	2,741.4	3,213.3	2,416.9	2,239.8	2,220.1	1,420.3

- (1) Please refer to Note 13 of the notes to consolidated financial statements in our Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on March 1, 2010, for the calculation of basic and diluted earnings per share.
- (2) Does not include 8,465,456 common shares repurchased between July 1, 2010 and October 12, 2010, 5,000,000 of which were repurchased from the GSCP Funds.
- (3) Calculated by dividing net losses and loss expenses by net premiums earned.
- (4) Calculated by dividing acquisition costs by net premiums earned.
- (5) Calculated by dividing general and administrative expenses by net premiums earned.
- (6) Calculated by combining the acquisition cost ratio and the general and administrative expense ratio.
- (7) Calculated by combining the loss ratio, acquisition cost ratio and general and the administrative expense ratio.

Table of Contents**Unaudited Summary Pro Forma Financial Information**

Pro forma financial statements for Allied World Switzerland are not presented in this proxy statement because no significant pro forma adjustments are required to be made to the historical condensed consolidated statement of operations and balance sheet of Allied World Bermuda for the six months ended June 30, 2010 and to the historical consolidated statement of operations of Allied World Bermuda for the year ended December 31, 2009. Those financial statements are included in Allied World Bermuda's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and in its Annual Report on Form 10-K for the year ended December 31, 2009, which are incorporated by reference in this proxy statement.

As a result of the Scheme of Arrangement, the par value of the parent company's shares increase from \$0.03 for Allied World Bermuda to \$15.00 for Allied World Switzerland and additional paid-in capital will decrease by the same amount. Additional paid-in capital in the consolidated balance sheet prepared in accordance with U.S. GAAP is different from qualifying additional paid-in capital that will be presented in our Swiss statutory parent company financial statements. See **Questions and Answers About the Redomestication Q: How will qualifying additional paid-in capital for Swiss statutory reporting purposes be determined?** for a discussion of shareholders' equity under Swiss statutory reporting requirements.

The following unaudited summary pro forma financial information presents consolidated shareholders' equity as of June 30, 2010, actual (Allied World Bermuda) and as adjusted (Allied World Switzerland), assuming the Redomestication had been completed on June 30, 2010. The pro forma adjustment reflects the completion of the Redomestication, including the increase in par value and the corresponding decrease in additional paid-in capital. You should read this table in conjunction with Allied World Bermuda's unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2010 and the notes thereto, which are incorporated by reference in this proxy statement.

	As of June 30, 2010	
	Actual	As Adjusted
	(in thousands except share data and per share amounts)	
Shareholders' equity:		
Common shares, par value \$0.03 per share, 50,488,342 and nil issued shares and 49,407,301 and nil outstanding shares	\$ 1,515	\$
Registered shares, par value \$15.00 per share, nil and 49,407,301 issued and outstanding shares		741,110
Additional paid-in capital	1,378,262	638,667
Treasury shares, at cost: 1,081,041 shares	(49,089)	(49,089)
Retained earnings	1,999,610	1,999,610
Accumulated other comprehensive income	138,245	138,245
Total shareholders' equity	\$ 3,468,543	\$ 3,468,543

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RISK FACTORS

Before you decide how to vote on the Scheme of Arrangement, you should consider carefully the following risk factors, in addition to the other information contained in this proxy statement and the documents incorporated by reference. In particular, you should consider the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2009 and such risks discussed in our reports and other filings under the Securities Exchange Act of 1934, as amended.

Your rights as a shareholder will change as a result of the Redomestication.

Because of differences between Swiss law and Bermuda law and differences between the governing documents of Allied World Switzerland and Allied World Bermuda, your rights as a shareholder will change if the Redomestication is completed. For example, following the Redomestication, the shareholders of Allied World Switzerland will have the right to declare dividends without the approval of the board of directors, whereas prior to the Redomestication the board of directors has the right, subject to statutory limitations, to declare and pay dividends on Allied World Bermuda common shares. As another example, under Swiss law, members of the board of directors of Allied World Switzerland may be removed with or without cause by the shareholders of Allied World Switzerland at a shareholders meeting. In contrast, Allied World Bermuda shareholders may only remove a director for cause. For a description of these and other differences, see [Comparison of Rights of Shareholders and Powers of the Board of Directors](#) and the other risk factors below.

Allied World Switzerland may not be able to make distributions or repurchase shares without subjecting you to Swiss withholding tax.

If Allied World Switzerland is not successful in its efforts to make distributions, if any, through a reduction of par value or, after January 1, 2011, subject to regulations still to be promulgated by the applicable Swiss authorities, pay dividends, if any, out of qualifying additional paid-in capital, then any dividends paid by Allied World Switzerland will generally be subject to a Swiss federal withholding tax at a rate of 35%. The withholding tax must be withheld from the gross distribution and paid to the Swiss Federal Tax Administration. Dividends paid on Allied World Bermuda's shares are not currently subject to withholding tax in Bermuda. A U.S. holder that qualifies for benefits under the Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, which we refer to as the U.S.-Swiss Treaty, may apply for a refund of the tax withheld in excess of the 15% treaty rate (or in excess of the 5% reduced treaty rate for qualifying corporate shareholders with at least 10% participation in the voting stock of Allied World Switzerland, or for a full refund in case of qualified pension funds). Payment of a capital distribution in the form of a par value reduction is not subject to Swiss withholding tax. However, there can be no assurance that Allied World Switzerland's shareholders will approve a reduction in par value, that Allied World Switzerland will be able to meet the other legal requirements for a reduction in par value, or that Swiss withholding rules will not be changed in the future. In addition, over the long term, the amount of par value available for Allied World Switzerland to use for par value reductions will be limited. If Allied World Switzerland is unable to make a distribution through a reduction in par value or, after January 1, 2011, pay a dividend out of qualifying additional paid-in capital, Allied World Switzerland may not be able to make distributions without subjecting you to Swiss withholding taxes.

Under present Swiss tax law, repurchases of voting shares or non-voting participation certificates for the purposes of capital reduction are treated as a partial liquidation subject to 35% Swiss withholding tax on the difference between the par value and the repurchase price. Allied World Switzerland may follow a share/participation certificate repurchase process for future repurchases, if any, similar to a [second trading line](#) on the SIX in which Swiss

institutional investors sell shares to us and are generally able to receive a refund of the Swiss withholding tax. However, if Allied World Switzerland is unable to use this process successfully, Allied World Switzerland may not be able to repurchase voting shares or non-voting participation certificates for the purposes of capital reduction without subjecting you to Swiss withholding taxes. Please see [Material Tax Considerations](#) [Swiss Tax Considerations](#) [Consequences to Shareholders of Allied World Switzerland Subsequent to the Redomestication](#) [Repurchases of Shares for Cancellation](#).

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We may not achieve a competitive worldwide effective corporate tax rate following the Redomestication.

We believe that the Redomestication should improve our ability to maintain a competitive worldwide effective corporate tax rate. However, we cannot give any assurance as to what our effective tax rate will be after the Redomestication because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from the foregoing expectation and that variance may be material. Additionally, the tax laws of Switzerland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

We are required to declare dividends in Swiss francs and any currency fluctuations between the U.S. dollar and Swiss francs will affect the dollar value of the dividends we pay.

Under Swiss corporate law, we are required to declare dividends, including distributions through a reduction in par value, in Swiss francs. Dividend payments will be made by our transfer agent in U.S. dollars converted at the applicable exchange rate shortly before the payment date. As a result, shareholders will be exposed to fluctuations in the exchange rate between the date used for purposes of calculating the CHF amount of any proposed dividend or par value reduction and the relevant payment date, which will not be shorter than two months and could be as long as a year.

As a result of the higher par value of the Allied World Switzerland shares and participation certificates, Allied World Switzerland will have less flexibility than Allied World Bermuda with respect to certain aspects of capital management.

Upon the completion of the Redomestication, the par value of Allied World Switzerland's shares and participation certificates will be \$15.00 per share. The par value of Allied World Bermuda's common shares is \$0.03 per share. Under Swiss law, Allied World Switzerland may not issue its shares below par value. As of June 30, 2010, the closing price of Allied World Bermuda's common shares on the NYSE was \$45.38. In the event Allied World Switzerland needs to raise common equity capital at a time when the trading price of its shares is below the par value of the shares and participation certificates, Allied World Switzerland will be unable to issue shares or participation certificates. We currently issue stock options under our Second Amended and Restated Stock Option Plan with an exercise price equal to the closing price of our common shares on the date of issuance. Upon the Redomestication, we will not be able to issue stock options with an exercise price below the par value, which may limit the flexibility of our compensation arrangements. As a consequence we would have to consider reducing the par value of the Allied World Switzerland voting shares which in turn would reduce our ability to make Swiss withholding tax-free distributions to our shareholders.

As a result of increased shareholder approval powers, Allied World Switzerland will have less flexibility than Allied World Bermuda with respect to certain aspects of capital management.

Under Bermuda law, Allied World Bermuda's directors may issue, without shareholder approval, any common shares authorized in Allied World Bermuda's memorandum of association that are not issued or reserved. Bermuda law also provides the board of directors with substantial flexibility in establishing the terms of preferred shares. In addition, Allied World Bermuda's board of directors has the right, subject to statutory limitations, to declare and pay dividends on Allied World Bermuda's common shares without a shareholder vote. Swiss law affords shareholders more powers and allows Allied World Switzerland's shareholders to authorize share and participation capital that can be issued by the board of directors without shareholder approval, but this authorization is limited to 50% of the existing registered share and participation capital and must be renewed by the shareholders every two years. Additionally, subject to specified exceptions described in Allied World Switzerland's articles of association, Swiss law grants preemptive rights to existing shareholders and holders of non-voting participation certificates to subscribe for new issuances of

voting shares, non-voting participation certificates and other securities. Swiss law also does not provide as much flexibility in the various terms that can attach to different classes of shares. For example, while the board of directors of Allied World Bermuda can authorize the issuance of preferred stock without shareholder approval, Allied World Switzerland will not be able to issue preferred stock (*Vorzugsaktien*) without the approval of a majority of the votes cast at a general meeting. Swiss law also reserves for approval

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by shareholders many corporate actions over which Allied World Bermuda's board of directors currently has authority. For example, dividends must be approved by shareholders. While we do not believe that the differences between Bermuda law and Swiss law relating to our capital management will have a material adverse effect on us, we cannot assure you that situations will not arise where such flexibility would have provided substantial benefits to us and our shareholders.

We may become subject to additional regulation.

Assuming that our newly formed Swiss operating company, Allied World Assurance Company, AG, is approved as a licensed insurance company in Switzerland by the Swiss Financial Markets Supervisory Authority, which we refer to as FINMA, we may become subject to regulatory oversight by an additional financial regulatory body.

FINMA also has the discretion to supervise our group activities. Allied World Bermuda is currently not subject to regulation in Bermuda. Under so-called group supervision, FINMA would have the right to supervise Allied World Switzerland on a group-wide basis. The regulatory power of FINMA covers in particular the following areas:

- reporting on organization;
- reporting on structure;
- reporting on internal transactions;
- solvency;
- group/conglomerate report; and
- corporate governance/risk management/internal control system.

On December 11, 2009, we received non-binding written confirmation from FINMA that it will not subject us to group supervision based primarily on the fact that most of our senior management will not reside in Switzerland. Factors which can cause FINMA to subject us to group supervision include the location of our top management and corresponding requests by foreign regulators. We cannot assure you that our future business needs may not require us to have a greater management presence in Switzerland or that FINMA will not otherwise determine to exercise group supervision over us. If subjected to group supervision we may incur additional costs and administrative obligations. These additional costs and administrative obligations may have a substantial impact on our organizational and operational flexibility. See *The Redomestication Regulatory Matters*.

The anticipated benefits of moving our principal executive office to Switzerland may not be realized, and difficulties in connection with moving our principal executive office could have an adverse effect on us.

In connection with the Redomestication, we plan to relocate our principal executive office from Pembroke, Bermuda to Switzerland. We expect that some of our executive officers and other key decision makers will relocate to Switzerland. We may face significant challenges in relocating our principal executive office to a different country, including difficulties in retaining and attracting officers, key personnel and other employees and challenges in maintaining a principal executive office in a country different from the country where other employees, including other executive officers and corporate support staff, are located. Employees may be uncertain about their future roles within our organization pending or following the completion of the Redomestication. Management may also be required to devote substantial time to the Redomestication and related matters, which could otherwise be devoted to focusing on ongoing business operations and other initiatives and opportunities. Any such difficulties could have an

adverse effect on our business, results of operations or financial condition.

The Redomestication will result in additional costs to us, some of which will be incurred whether or not the Redomestication is completed.

The completion of the Redomestication will result in an increase in some of our ongoing expenses and require us to incur some new expenses including, among other things, the addition of professional fees to comply with Swiss corporate and tax laws. In addition, we will incur certain transaction costs in connection with the

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Redomestication whether or not the Redomestication is completed. The Redomestication may also result in indirect costs by diverting attention of management and employees from our business.

The market for the Allied World Switzerland shares may differ from the market for the Allied World Bermuda shares, and Allied World Switzerland's shares may be removed as a component of the Russell 1000 Index and other indices or certain other funds.

We intend to list the voting shares of Allied World Switzerland on the NYSE under the symbol AWH the same symbol under which the Allied World Bermuda common shares are currently listed. The market price, trading volume or volatility of the Allied World Switzerland voting shares could be different than those of the Allied World Bermuda shares.

Allied World Bermuda's voting common shares are currently a component of the Russell 1000 Index and other indices. Russell has considered Allied World Bermuda and a number of other offshore registered companies as U.S. domestic companies for purposes of inclusion in the Russell 1000. Russell may decide to remove Allied World Switzerland's voting shares as a component of the Russell 1000, and, while we are uncertain as to when Russell will make its determination, this determination may not be made until after the Special Meetings. Other index funds have removed the shares of other offshore registered companies that have recently redomesticated to Switzerland. Similar issues could arise with respect to whether Allied World Switzerland's voting shares will continue to be included as a component in other indices or funds that may impose a variety of qualifications that could be affected by the Redomestication. If Allied World Switzerland's voting shares are removed as a component of the Russell 1000 or other indices or no longer meet the qualifications of such funds, institutional investors attempting to track the performance of the Russell 1000 or such other indices or the funds that impose those qualifications would likely sell their voting shares, which could adversely affect the price of the Allied World Switzerland voting shares. Any such adverse impact on the price of the Allied World Switzerland voting shares could be magnified by the current heightened volatility in the financial markets.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this proxy statement include forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that involve inherent risks and uncertainties. These statements include in general forward-looking statements both with respect to us and the insurance industry. Statements that are not historical facts, including statements that use terms such as anticipates, believes, expects, intends, plans, projects, seeks and will and that relate to our plans and objectives for future operations, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this proxy statement should not be considered as a representation by us or any other person that our objectives or plans will be achieved. These statements are based on current plans, estimates and expectations. Forward-looking statements include information concerning possible or assumed future results of operations of Allied World Bermuda and, following the Redomestication, Allied World Switzerland. Actual results may differ materially from those projected in such forward-looking statements and therefore you should not place undue reliance on them. Forward-looking statements include information about the following subjects:

benefits, effects or results of the Redomestication;

operations and results after the Redomestication;

business strategies;

expected financial position;

expected results of operations;

liquidity;

future cash flows;

dividends, share repurchases and other distributions;

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plans and objectives of management;

timing of the Redomestication;

tax treatment of the Redomestication;

accounting treatment of the Redomestication;

expenses related to the Redomestication;

performance of contracts;

compliance with applicable laws; and

any other statements regarding future growth, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

The following factors could cause business conditions and our results to differ materially from those expressed in the forward-looking statements included or incorporated by reference in this proxy statement:

an inability to realize expected benefits from the Redomestication or the occurrence of difficulties in connection with the Redomestication;

any unanticipated costs in connection with the Redomestication;

changes in insurance or financial rating agency policies or practices;

the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time;

greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices have anticipated;

the inability of our risk models to adequately quantify catastrophe exposures and risk accumulations;

the impact of acts of terrorism, political unrest, acts of war and pandemic diseases;

unexpected levels of loss due to climate change;

the effectiveness of our loss limitation methods;

the effects of a prolonged recession and other adverse consequences as a result of the recent turmoil in the U.S. and international financial markets;

the impact from claims beyond our current estimates relating to the recent financial market turmoil, including subprime and other credit and insurance exposures;

failure of cedents to accurately assess the risks they underwrite and we reinsure;

changes in the availability or creditworthiness of our brokers or reinsurers;

changes in the availability, cost or quality of reinsurance coverage;

changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates, prevailing credit terms and other factors that could affect our investment portfolio;

changes to our investment valuations due to differing interpretations of valuation methodologies, or changes in the determination of the impairments taken on our investments;

availability of additional capital on commercially favorable terms;

loss of key personnel;

employee error and misconduct, or a breach by one of our third party program administrators of its obligations owed to us;

difficulties with our information technology, telecommunications systems and data security;

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operational risks associated with the integration of acquired companies and the growth of our operations;

changes in agreements and business relationships with affiliates of some of our principal shareholders;

decreased level of demand for direct property and casualty insurance or reinsurance or increased competition due to an increase in capacity of property and casualty insurers or reinsurers;

the effects of competitors pricing policies and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products;

effects of emerging claims and coverage issues;

failure of our insurance and reinsurance subsidiaries to comply with applicable legal and regulatory requirements;

changes in Bermuda law or regulation or the political stability of Bermuda;

the impact of recently-enacted U.S. healthcare legislation and other proposed legislation on our business;

changes in legal, judicial, regulatory and social conditions;

if we or one of our non-U.S. subsidiaries become subject to significant, or significantly increased, income taxes in the United States or elsewhere; and

changes in regulations or tax laws applicable to us, our subsidiaries, brokers, customers or U.S. insurers or reinsurers.

Additional important factors that could cause actual results to differ materially from those in such forward-looking statements are set forth under Risk Factors and the The Redomestication Background and Reasons for the Redomestication and elsewhere in this proxy statement; and in Item 1A. Risk Factors in our Form 10-K for the fiscal year ending December 31, 2009, filed with the SEC on March 1, 2010 and incorporated by reference herein, and risks contained in our other filings with the SEC. We undertake no obligation (and expressly disclaim any such obligation) to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise.

THE REDOMESTICATION

The Scheme of Arrangement will effectively change our place of incorporation from Bermuda to Switzerland.

The Scheme of Arrangement involves several steps. Allied World Bermuda, the Bermuda company whose common shares you currently own, formed Allied World Switzerland, as a direct, wholly-owned subsidiary. On October 1, 2010, we made application to the Supreme Court in Bermuda to order the calling of meetings of Allied World Bermuda common shareholders to approve the Scheme of Arrangement. On October 7, 2010, the Supreme Court ordered us to seek your approval of the Scheme of Arrangement. We will hold the special court-ordered meetings to approve the Scheme of Arrangement on November 18, 2010. If we obtain the necessary shareholder approval, the Supreme Court will have the Sanction Hearing on or about November 26, 2010 to approve the Scheme of Arrangement. Assuming we receive the necessary approvals from the shareholders and the Supreme Court and the conditions to consummation of the Scheme of Arrangement are satisfied, we will file the court order sanctioning the

Scheme of Arrangement with the Bermuda Registrar of Companies, at which time the Scheme of Arrangement will be effective. See also [Summary](#) [The Redomestication](#) above.

Background and Reasons for the Redomestication

As Allied World has grown, we have regularly assessed our organizational structure. As a provider of worldwide insurance and reinsurance coverage, we presently operate out of 16 different offices located in eight different countries. After considerable thought and study, extending well over a year, our board of directors has

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determined that it is in the best interests of Allied World Bermuda and its shareholders to change our place of incorporation from Bermuda to Switzerland. This decision was based in part on the following determinations:

Switzerland is a leading financial center and has a strong reputation for economic and political stability, as well as a tradition of respecting the rule of law.

We believe the Redomestication will help reduce certain reputational, political, regulatory and financial risks to our company.

The Redomestication can increase our strategic flexibility while posing no noticeable risks to our operating model, our long-term strategy or our ability to maintain a competitive worldwide effective corporate tax rate.

Switzerland has a sophisticated insurance and reinsurance regulatory environment within which we can operate.

Switzerland is home to several of Europe's major multinational organizations spanning several industries, including power, banking, insurance, consumer products and pharmaceuticals. We expect that the Redomestication will help promote our stature and visibility by becoming a member of this international community.

Switzerland has a well-developed legal system that we believe encourages a high standard of corporate governance and provides shareholders with substantial rights. Generally, the rights of a shareholder of a Swiss company are substantially similar to, and in some cases more favorable to shareholders than, the rights of a shareholder of a Bermuda company.

Switzerland has numerous tax treaties and excellent relations with major developed and developing countries around the world. The country has a well-developed and stable tax regime whereas Bermuda generally does not maintain a system of direct corporate taxation. We therefore expect that the Redomestication will improve our global tax position by lowering our risk to possible changes in tax legislation or tax treaties and disputes with tax authorities.

The Redomestication to Switzerland will also place us in close proximity to the established tax environment of the European Union.

Switzerland has a stable and well-developed infrastructure base and is a major transportation hub, providing a base for possible expansion of corporate functions in an optimal centralized European location.

Finally, Switzerland is a country traditionally seen as politically neutral and could have positive implications for our global platform in certain countries.

We also carefully considered the effects of the Redomestication on our shareholders. Accordingly, our voting shares will continue to trade on the NYSE under the symbol AWH. We will remain subject to SEC reporting requirements, the mandates of the Sarbanes-Oxley Act and the corporate governance rules of the NYSE. Finally, we will continue to report our financial results in U.S. dollars and under U.S. GAAP.

We also considered a redomestication to other jurisdictions such as the United States and elsewhere but believe that a redomestication to Switzerland provides the greatest potential benefits with the least potential disadvantages. Our board of directors has considered both the potential advantages and risks of the Redomestication and has unanimously approved the Scheme of Arrangement and recommended that the shareholders vote for the Scheme of Arrangement. We cannot assure you, however, that the anticipated benefits of the Redomestication will be realized. In addition to

the potential benefits described above, the Redomestication will expose Allied World Bermuda and its shareholders to certain risks. Please see the discussion under Risk Factors.

Amendment or Termination of the Scheme of Arrangement

The Scheme of Arrangement may be amended, modified or supplemented by Allied World Bermuda and the Supreme Court. However, after approval by the shareholders, no amendment, modification or supplement may be made or effected that requires further approval by the holders of Allied World Bermuda's common shares without obtaining that approval.

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Under Bermuda law, the board of directors of Allied World Bermuda may terminate and abandon the Scheme of Arrangement at any time prior to the Sanction Hearing. However, Allied World Bermuda has determined that, subject to satisfaction of the conditions to the Scheme of Arrangement, it will not terminate and abandon the Scheme of Arrangement following the approval of the Scheme of Arrangement by the holders of common shares. The board of directors may also terminate or abandon the Scheme of Arrangement if the conditions to the Scheme of Arrangement are not satisfied or waived, and if such conditions are not satisfied or waived on or before 5:00 p.m. (Bermuda time) on the date nine months after the date on which the Scheme of Arrangement becomes effective, or such later date as agreed by Allied World Bermuda and sanctioned by the Supreme Court, the Scheme of Arrangement will lapse by its terms.

Conditions to Consummation of the Scheme of Arrangement

The Scheme of Arrangement will not be completed unless, among other things, the following conditions are satisfied or, if allowed by law, waived:

the Allied World Switzerland voting shares to be issued in connection with the Scheme of Arrangement including shares issuable upon exchange for the non-voting participation certificates are authorized for listing on the NYSE, subject to official notice of issuance; and

neither Allied World Bermuda nor Allied World Switzerland is subject to any governmental decree, order or injunction that prohibits the consummation of the Scheme of Arrangement.

In addition, Allied World Bermuda must obtain, prior to the consummation of the Scheme of Arrangement, (i) an opinion from Willkie Farr & Gallagher LLP, in form and substance reasonably satisfactory to it, confirming, as of the effective date of the Scheme of Arrangement, the matters of U.S. federal income tax law discussed under Material Tax Considerations U.S. Federal Income Tax Considerations ; and (ii) an opinion from PricewaterhouseCoopers AG, in form and substance reasonably satisfactory to it, confirming, as of the effective date of the Scheme of Arrangement, the matters of Swiss tax law discussed under Material Tax Considerations Swiss Tax Considerations.

Court Approval of the Scheme of Arrangement

Pursuant to Section 99 of the Bermuda Companies Act 1991 (the Companies Act), the Scheme of Arrangement requires court approval in Bermuda. This requires Allied World Bermuda to file an application for the sanction of the Scheme of Arrangement with the Supreme Court of Bermuda. Prior to the mailing of this proxy statement, Allied World Bermuda obtained directions from the Supreme Court providing for the convening of an Allied World Bermuda meeting of voting common shareholders (and immediately thereafter a meeting of Allied World Bermuda non-voting common shareholders) and other procedural matters regarding the meetings. A copy of the Supreme Court's directions is attached as Annex B.

At the Special Meetings, Allied World Bermuda shareholders will be asked to approve the Scheme of Arrangement. If the shareholders approve the Scheme of Arrangement, then Allied World Bermuda will apply for sanction of the Scheme of Arrangement at the Sanction Hearing. We encourage you to read the Scheme of Arrangement attached as Annex A in its entirety for a complete description of its terms and conditions.

At the Sanction Hearing, the Supreme Court may impose such conditions as it deems appropriate in relation to the Scheme of Arrangement but may not impose any material changes without the joint consent of Allied World Bermuda and Allied World Switzerland. In determining whether to exercise its discretion and approve the Scheme of Arrangement, the Supreme Court will determine, among other things, whether the Scheme of Arrangement is fair to

Allied World Bermuda's common shareholders in general. If you are a common shareholder who wishes to appear or be represented and present evidence or arguments at the Sanction Hearing, you may do so. Holders of Allied World Bermuda common shares at the Record Date are entitled to appear before the Supreme Court, at the time and date set for the hearing of the petition to sanction the Scheme of Arrangement, in order to voice your objection to the Scheme of Arrangement. Allied World Bermuda will not object to your appearance or participation at the hearing.

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Should you wish to appear before the Supreme Court, Allied World Bermuda encourages you to adopt one of the below noted procedures:

appearing in person at the Supreme Court, having notified Allied World Bermuda's legal counsel 48 hours in advance of your intention to do so by e-mailing or telephoning Robin Mayor: robin.mayor@conyersdill.com or (441) 299-4929. You will in such circumstances be requested to provide an affidavit setting out the evidence upon which you seek to rely at the hearing;

filing an affidavit with the Supreme Court at least 48 hours prior to the date of the hearing of the petition to sanction setting out your reasons for objecting. At the same time as filing the affidavit, you should serve a copy of the affidavit on Allied World Bermuda by leaving same at the office of Conyers Dill & Pearman Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, Attention: Robin Mayor/Graham Collis; or

instructing counsel to appear on your behalf before the Supreme Court, such counsel to provide notice of their intention to appear to Conyers Dill & Pearman Limited at least 48 hours prior to the sanction hearing and at the same time providing a copy of the evidence upon which counsel shall seek to rely set out in an affidavit.

In addition, the Supreme Court has wide discretion to hear from interested parties. See [Summary Special Court-Ordered Meetings](#) for more information.

The Scheme of Arrangement will become effective as soon as a copy of the Order of the Supreme Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in Bermuda as required by Section 99 of the Companies Act. See [Summary Conditions to Consummation of the Scheme of Arrangement](#) for more information on these conditions.

Once the Scheme of Arrangement is effective, the Supreme Court will have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which arises out of or is connected with the terms of the Scheme of Arrangement or its implementation or out of any action taken or omitted to be taken under the Scheme of Arrangement or in connection with the administration of the Scheme of Arrangement. A shareholder who wishes to enforce any rights under the Scheme of Arrangement after such time must notify Allied World Bermuda in writing of its intention at least five business days prior to commencing a new proceeding. After the effective time of the Scheme of Arrangement, no shareholder may commence a proceeding against Allied World Switzerland or Allied World Bermuda with respect to or arising from the Scheme of Arrangement except to enforce its rights under the scheme where a party has failed to perform its obligations under the scheme.

When under any provision of the Scheme of Arrangement after the effective time of the Scheme of Arrangement a matter is to be determined by Allied World Bermuda, then Allied World Bermuda will have discretion to interpret those matters under the Scheme of Arrangement in a manner that it considers fair and reasonable, and its decisions will be binding on all concerned.

Allied World Bermuda may, subject to U.S. securities law constraints, consent to any modification of the Scheme of Arrangement on behalf of the shareholders that the Supreme Court determines to approve or impose.

Federal Securities Law Consequences; Resale Restrictions

The issuance of Allied World Switzerland voting shares to the holders of Allied World Bermuda's voting common shares (and the issuance of non-voting participation certificates to the holders of Allied World Bermuda's non-voting common shares) in connection with the Scheme of Arrangement will not be registered under the Securities Act. Section 3(a)(10) of the Securities Act exempts securities issued in exchange for one or more outstanding securities

from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have a right to appear and to whom adequate notice of the hearing has been given. In determining whether it is appropriate to sanction the Scheme of Arrangement, the Supreme Court will consider at the Sanction Hearing whether the terms and conditions of the Scheme of Arrangement are fair to the holders of Allied World Bermuda's shareholders in general.

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The Allied World Switzerland voting shares issued to Allied World Bermuda shareholders in connection with the Redomestication will continue to be freely transferable, except for restrictions applicable to certain affiliates of Allied World Bermuda under the Securities Act, as follows:

Persons who were not affiliates of Allied World Bermuda on the date on which the Redomestication is consummated and have not been affiliates within 90 days prior to such date will be permitted to sell any Allied World Switzerland voting shares received in the Scheme of Arrangement without regard to Rule 144 under the Securities Act.

Persons who were affiliates of Allied World Bermuda on the date on which the Redomestication is consummated or were affiliates within 90 days prior to such date will be permitted to resell any Allied World Switzerland voting shares they receive pursuant to the Scheme of Arrangement in the manner permitted by Rule 144. In computing the holding period of the Allied World Switzerland voting shares for the purposes of Rule 144(d), such persons will be permitted to tack the holding period of their Allied World Bermuda shares held prior to the effective time of the Scheme of Arrangement.

Persons who may be deemed to be affiliates of Allied World Bermuda and Allied World Switzerland for these purposes generally include individuals or entities that control, are controlled by, or are under common control with, Allied World Bermuda and Allied World Switzerland, and would not include shareholders who are not executive officers, directors or significant shareholders of Allied World Bermuda and Allied World Switzerland.

Allied World Bermuda has not filed a registration statement with the SEC covering any resales of the Allied World Switzerland voting shares to be received by Allied World Bermuda's shareholders in connection with the Scheme of Arrangement.

Effective Date and Transaction Time

If the Scheme of Arrangement is approved by the requisite shareholder vote and the conditions to the consummation of the Scheme of Arrangement are satisfied, we anticipate that the Scheme of Arrangement will become effective as soon as practicable following approval of the Supreme Court at the Sanction Hearing scheduled for November 26, 2010, upon our filing of the court order sanctioning the Scheme of Arrangement with the Bermuda Registrar of Companies. We expect the issuance of Allied World Switzerland voting shares and non-voting participation certificates to occur prior to the opening of trading on the trading day immediately following effectiveness of the Scheme of Arrangement. We currently expect to complete the Scheme of Arrangement as soon as practicable after the Sanction Hearing.

In the event the conditions to the Scheme of Arrangement are not satisfied, the Scheme of Arrangement may be abandoned or delayed, even after approval by our shareholders and the Supreme Court at the Sanction Hearing. If conditions to the Scheme of Arrangement are not satisfied or waived on or before 5:00 p.m. (Bermuda time) on the date nine months after the date on which the Scheme of Arrangement becomes effective, or such later date as agreed by Allied World Bermuda and sanctioned by the Supreme Court, the Scheme of Arrangement will lapse by its terms. In addition, under Bermuda law, the Scheme of Arrangement may be abandoned or delayed for any reason by our board of directors at any time prior to the Sanction Hearing. However, Allied World Bermuda has determined that, subject to satisfaction of the conditions to the Scheme of Arrangement, it will not terminate and abandon the Scheme of Arrangement following the approval of the Scheme of Arrangement by the holders of common shares.

Management of Allied World Switzerland

When the Redomestication is completed, the executive officers and directors of Allied World Bermuda immediately prior to the completion of the Redomestication are expected to be the executive officers and directors of Allied World Switzerland. Following the Redomestication, the executive officers of Allied World Switzerland not residing in Switzerland will periodically hold meetings in Switzerland in order to operate Allied World Switzerland. Allied World Switzerland's articles of association provide for the same classified board of directors as Allied World Bermuda currently has, and Allied World Bermuda's directors will carry their terms of office over to the Allied World Switzerland board of directors.

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Required Vote; Board Recommendation

The Special Meetings will be conducted in accordance with the directions of the Supreme Court. The presence of two or more persons at each meeting representing in person or by proxy more than 50% of our total outstanding voting common shares or non-voting common shares, as appropriate, throughout the relevant meeting will constitute a quorum. Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any of the proposals brought before, the Special Meetings.

Assuming the presence of a quorum at the meetings, the Scheme of Arrangement requires the affirmative vote of a majority in number of the holders of the Allied World Bermuda voting common shares present and voting on the proposal at the meeting, whether in person or by proxy, representing 75% or more in value of the voting common shares present and voting on the proposal at the meeting, whether in person or by proxy. The Scheme of Arrangement also requires the affirmative vote of a majority in number of the holders of Allied World Bermuda non-voting common shares present and voting on the proposal at the meeting, whether in person or by proxy, representing 75% or more in value of the non-voting common shares present and voting on the proposal at the meeting, whether in person or by proxy. The adjournment proposal requires the affirmative vote of holders of at least a majority of the Allied World Bermuda voting common shares present and voting at the meeting, whether in person or by proxy, with respect to the meeting of voting common shareholders, and the affirmative vote of holders of at least a majority of the Allied World Bermuda non-voting common shares present and voting at the meeting, whether in person or by proxy, with respect to the meeting of non-voting common shareholders. Our board of directors has unanimously approved the Scheme of Arrangement and recommends that shareholders vote **FOR** approval of both of the proposals.

Regulatory Matters

We are not aware of any other governmental approvals or actions that are required to complete the Redomestication other than compliance with U.S. federal and state securities laws and Bermuda and Swiss corporate law, including the registration of the capital increase relating to the issue of Allied World Switzerland voting shares and non-voting participation certificates to our shareholders in the commercial register.

No Appraisal Rights

Under Bermuda law, none of the shareholders of Allied World Bermuda has any right to an appraisal of the value of their shares or payment for them in connection with the Scheme of Arrangement.

No Action Required to Cancel Allied World Bermuda Shares and Receive Allied World Switzerland Shares

Assuming the Scheme of Arrangement becomes effective, your Allied World Bermuda voting common shares will be cancelled and Allied World Switzerland voting shares will be issued without any action on your part. All of Allied World Switzerland's voting shares will be issued in uncertificated book-entry form. Consequently, if you currently hold Allied World Bermuda shares in certificated form, following the Redomestication, your Allied World Bermuda share certificates will cease to have effect as documents or evidence of title. The transfer agent will make an electronic book-entry in your name and will mail you a statement evidencing your ownership of Allied World Switzerland voting shares.

Dividend Policy

During the year ended December 31, 2009, Allied World Bermuda declared a regular quarterly dividend of \$0.18 per common share during the first, second and third quarters, which was increased to a regular quarterly dividend of \$0.20 per common share for the fourth quarter of 2009 and the first and second quarters of 2010. Allied World Bermuda expects to declare and pay a regular quarterly dividend to its shareholders in the fourth quarter of 2010. Allied World Bermuda also expects the Redomestication to be effective by the end of the calendar year 2010. Under Swiss law, any dividends declared and paid after the Redomestication are subject to Allied World Switzerland shareholder approval, which approval will not be sought until the next annual meeting of Allied

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World Switzerland in early May 2011. In order to provide for a dividend to holders of Allied World Switzerland's voting shares and non-voting participation certificates in the interim period, Allied World Bermuda expects that its board of directors will declare a special dividend approximately equal to its normal quarterly dividend to be payable in December 2010 along with the anticipated regularly scheduled fourth quarter 2010 dividend.

Any future declaration and payment of any cash dividends by Allied World Switzerland following the completion of the Redomestication will:

depend upon its results of operations, financial condition, cash requirements and other relevant factors;

be subject to shareholder approval;

be subject to restrictions contained in our credit facilities and other debt covenants; and

be subject to other restrictions on dividends imposed by Swiss law.

However, Allied World Switzerland shareholders will have the power to declare dividends without the agreement of the board of directors. Consequently, dividends may be declared by resolution of the shareholders even if the board of directors and management of Allied World Switzerland do not believe it is in the best interest of shareholders.

For a description of restrictions on dividends imposed by Swiss law, see Description of Allied World Switzerland Shares Dividends, Description of Allied World Switzerland Shares Repurchases of Shares and Material Tax Considerations Swiss Tax Considerations Consequences to Shareholders of Allied World Switzerland Subsequent to the Redomestication.

Share Compensation Plans

If the Redomestication is completed, Allied World Switzerland will adopt and assume Allied World Bermuda's equity-based incentive plans, awards and arrangements, and those plans, awards, and arrangements will be amended as necessary to give effect to the Scheme of Arrangement, including to provide (1) that shares of Allied World Switzerland will be issued, held, made available, or used to measure benefits as appropriate under the plans, awards and arrangements in lieu of shares of Allied World Bermuda, including upon exercise of any options or share appreciation rights, and upon settlement of restricted stock unit awards, issued under those plans, awards, and arrangements; and (2) for the appropriate substitution of Allied World Switzerland for Allied World Bermuda in those plans, awards and arrangements. Similarly, Allied World Switzerland voting shares will be substituted for Allied World Bermuda voting shares under any long-term incentive plans and awards and other equity-based incentive plans, awards and arrangements maintained by subsidiaries of Allied World Bermuda that presently provide for the issuance of Allied World Bermuda voting shares.

Stock Exchange Listing

Allied World Bermuda's common shares are currently listed on the NYSE. There is currently no established public trading market for the voting shares of Allied World Switzerland. We intend to apply so that, immediately following the consummation of the Scheme of Arrangement, the voting shares of Allied World Switzerland will be listed on the NYSE under the symbol AWH the same symbol under which the Allied World Bermuda common shares are currently listed.

Accounting Treatment of the Scheme of Arrangement

Under U.S. GAAP, the Scheme of Arrangement represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at cost. Accordingly, the assets and liabilities of Allied World Switzerland will be reflected at their carrying amounts in the accounts of Allied World Bermuda at the Transaction Time.

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Treatment of Non-Voting Shares

The GSCP Funds hold 91.6% of the outstanding non-voting common shares of Allied World Bermuda as of October 12, 2010. In light of the requirement that the holders of the Allied World Bermuda non-voting common shares approve the Scheme of Arrangement, prior to submitting the Scheme of Arrangement and related transactions to our shareholders, we inquired of the GSCP Funds whether they would support the proposed Redomestication transactions. The GSCP Funds have communicated to us that they have determined, on a preliminary basis, to support the transactions. You should note, however, that the GSCP Funds continue to evaluate the transactions and have not committed or in any way obligated themselves to vote for the Scheme of Arrangement, and there is no assurance that the GSCP Funds will not ultimately determine against supporting the Redomestication and to withhold their votes from or cast their votes against the Scheme of Arrangement.

Treatment of Warrants

If the Scheme of Arrangement is consummated, pursuant to the Transaction Agreement and the terms of Allied World Bermuda's warrants outstanding on the date of the consummation of the Scheme of Arrangement, Allied World Switzerland will assume Allied World Bermuda's obligations under the terms of the warrants and will agree to issue voting shares (or non-voting participation certificates in the case of the warrants held by the GSCP Funds) of Allied World Switzerland (rather than Allied World Bermuda voting common shares) or Allied World Switzerland non-voting participation certificates (rather than Allied World Bermuda non-voting common shares) upon exercise of such warrants in accordance with their terms.

Credit Facilities

The credit agreements governing Allied World Bermuda's existing syndicated credit facilities will require the lenders to consent to the Redomestication. We expect to receive the consent of these lenders prior to the consummation of the Redomestication and any amendments to these credit agreements will be subject to, and only be effective upon, the consummation of the Redomestication.

Senior Notes

Following the Redomestication, our Senior Notes will remain outstanding at Allied World Bermuda. Subsequent to the solicitation of votes pursuant to this proxy statement, Allied World Bermuda will seek the consent of the noteholders solely for the purpose of removing the contractual requirement in the notes indenture that would require Allied World Bermuda to continue to file periodic reports with the SEC following the Redomestication (in addition to the SEC reports of Allied World Switzerland). The consent of the noteholders is not a condition to the completion of the Scheme of Arrangement. Following the Redomestication, Allied World Switzerland will fully and unconditionally guarantee the Senior Notes.

Interests of Certain Persons in the Redomestication

You should be aware that some of our executive officers and directors have interests in the Redomestication that are different from, or in addition to, the interests of our other shareholders. Our executive officers and directors as a group beneficially own 1.5% of our outstanding voting common shares. See [Principal Shareholders](#).

Allied World Switzerland plans to enter into indemnification agreements with each of its directors and executive officers, substantially similar to those currently in place with Allied World Bermuda, upon the completion of the

Redomestication that will provide for indemnification and expense advancement and include related provisions meant to facilitate the indemnitee's receipt of such benefits.

In connection with our request that the GSCP Funds consider the Redomestication transactions prior to their final approval by our board of directors and proposal to our shareholders, we agreed to reimburse the GSCP Funds for all reasonable costs and expenses they incur in connection with their consideration and evaluation of the Redomestication transactions.

Table of Contents**PRINCIPAL SHAREHOLDERS**

The table below sets forth information as of September 20, 2010 regarding the beneficial ownership of our common shares by:

each person known by us to beneficially own more than 5% of our outstanding voting common shares,

each of our directors,

our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated officers who were serving as executive officers at the end of our 2009 fiscal year, and

all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Beneficial Ownership of Common Shares(1)	
	Voting	Percent of Common Shares
Artisan Partners Holdings LP(2) 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202	3,566,252	8.4%
Blackrock, Inc.(3) 40 E. 52 nd Street, New York, NY 10022	2,203,095	5.2%
Wellington Management Company, LLP(4) 75 State Street, Boston, MA 02109	2,879,714	6.8%
Barbara T. Alexander	2,000	*
Scott A. Carmilani	251,900(5)	*
James F. Duffy	7,573	*
Bart Friedman	8,865	*
Scott Hunter	6,865	*
Mark R. Patterson	35,865	*
Patrick de Saint-Aignan	2,665	*
Samuel J. Weinhoff	8,428	*
Joan H. Dillard	114,336(6)	*
Wesley D. Dupont	56,371(7)	*
W. Gordon Knight	13,119(8)	*
John L. Sennott, Jr.	4,268	*
All directors and executive officers as a group (16 persons)	634,745(9)	1.5%

* Less than 1%.

(1) 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 September 20, 2010, including any right to acquire through the exercise of any option, warrant or right. As of September 20, 2010, we had 42,605,678 common shares outstanding (39,155,825 voting common shares and 3,449,853 non-voting common shares). All amounts listed represent sole voting and dispositive power unless otherwise indicated.

As of September 20, 2010, the GSCP Funds owned in the aggregate 3,159,793 non-voting common shares, or 7.4% of the common shares outstanding as of this date. The GSCP Funds also hold warrants to purchase in the aggregate 1,500,000 non-voting common shares. Under the terms of these warrants and our bye-laws, the GSCP Funds are permitted to hold only non-voting common shares and each warrant is convertible only into non-voting common shares. Because the GSCP Funds are prohibited by the terms of our bye-laws from owning voting common shares (and any shares owned by the GSCP Funds are automatically deemed non-voting common shares), these funds' holdings have not been included in the table above pursuant to applicable SEC rules.

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- (2) Based on information reported on Schedule 13G, as filed with the SEC on February 11, 2010 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 3,566,252 voting 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. According to this Schedule 13G, the Artisan Parties have the following dispositive powers with respect to the voting common shares: (a) sole voting power: none; (b) shared voting power: 3,452,652; (c) sole dispositive power: none; and (d) shared dispositive power: 3,566,252.
- (3) Based on information reported on Schedule 13G (Amendment No. 1), as filed by Blackrock, Inc. (Blackrock) with the SEC on June 10, 2010, Blackrock has sole voting power and sole dispositive power over 2,203,095 voting common shares and has no shared voting power and no shared dispositive power for any of these shares.
- (4) Based on information reported on Schedule 13G (Amendment No. 2) as filed by Wellington Management Company, LLP (Wellington) with the SEC on February 12, 2010, Wellington is the beneficial owner of 2,879,714 voting common shares held by its clients 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. According to this Schedule 13G, Wellington has the following dispositive powers with respect to the voting common shares: (a) sole voting power: none; (b) shared voting power: 2,339,969; (c) sole dispositive power: none; and (d) shared dispositive power: 2,879,714.
- (5) Includes stock options exercisable to purchase 78,333 voting common shares.
- (6) Includes stock options exercisable to purchase 33,333 voting common shares.
- (7) Includes stock options exercisable to purchase 25,000 voting common shares.
- (8) Includes stock options exercisable to purchase 8,250 voting common shares.
- (9) Includes stock options exercisable to purchase 163,498 voting common shares.

Table of Contents**MARKET PRICE AND DIVIDEND INFORMATION**

Allied World Bermuda began publicly trading on the NYSE under the symbol AWH as of July 12, 2006.

The following table sets forth the high and low sales prices per share of Allied World Bermuda common shares for the periods indicated, as reported on the NYSE Composite Tape.

Calendar Year	Price of Allied World Bermuda Common Shares	
	High	Low
2010		
First quarter	\$ 47.05	\$ 43.77
Second quarter	\$ 47.96	\$ 40.60
Third quarter	\$ 57.25	\$ 44.42
Fourth quarter (through October 12, 2010)	\$ 56.75	\$ 54.53
2009		
First quarter	\$ 42.68	\$ 32.23
Second quarter	\$ 41.32	\$ 35.43
Third quarter	\$ 49.76	\$ 39.93
Fourth quarter	\$ 49.31	\$ 44.32
2008		
First quarter	\$ 50.24	\$ 38.29
Second quarter	\$ 46.82	\$ 39.08
Third quarter	\$ 42.93	\$ 34.67
Fourth quarter	\$ 40.60	\$ 21.00

On September 29, 2010, the last full trading day before we announced the Scheme of Arrangement, Allied World Bermuda common shares closed at \$56.60 per share. Shareholders are encouraged to obtain recent stock quotes for Allied World Bermuda common shares. As of October 12, 2010, the record date for determining holders of Allied World Bermuda common shares, there were 38 holders of record of Allied World Bermuda outstanding voting common shares and 14 holders of record of Allied World Bermuda outstanding non-voting common shares.

We declared a regular quarterly dividend of \$0.20 per common share during each of the first two quarters of 2010. During the year ended December 31, 2009, we declared a regular quarterly dividend of \$0.18 per common share for the first, second and third quarters, and a regular quarterly dividend of \$0.20 per common share for the fourth quarter. During the year ended December 31, 2008, we declared a regular quarterly dividend of \$0.18 per common share during each quarter. The continued declaration and payment of dividends to holders of common shares is expected but will be at the discretion of our board of directors and subject to specified legal, regulatory, financial and other restrictions. Following the Redomestication, future declaration and payment of dividends by Allied World Switzerland will be subject to shareholder approval.

As a holding company, Allied World Bermuda's principal source of income is dividends or other statutorily permissible payments from its subsidiaries. The ability of its subsidiaries to pay dividends is limited by the applicable laws and regulations of the various countries in which Allied World Bermuda operates, including Bermuda, the

United States and Ireland.

We intend to list the voting shares of Allied World Switzerland on the NYSE under the symbol AWH the same symbol under which the Allied World Bermuda common shares are currently listed.

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MATERIAL TAX CONSIDERATIONS

The information presented under the caption "U.S. Federal Income Tax Considerations" below is a discussion of the material U.S. federal income tax consequences to U.S. holders and non-U.S. holders (as defined below) of the Redomestication and owning and disposing of Allied World Switzerland voting shares received pursuant to the Redomestication. The information presented under the caption "Swiss Tax Considerations" is a discussion of the material Swiss tax consequences (1) to shareholders resident for tax purposes in a country other than Switzerland of the Redomestication and of ownership and disposition of the Allied World Switzerland voting shares and (2) to Allied World Switzerland of the Redomestication and subsequent operations. The information presented under the caption "Bermuda Tax Considerations" is a discussion of the material Bermuda tax consequences of the Redomestication.

You should consult your own tax advisor regarding the applicable tax consequences to you of the Redomestication and of ownership and disposition of the Allied World Switzerland voting shares under the laws of the United States (federal, state and local), Switzerland, Bermuda and any other applicable foreign jurisdiction.

U.S. Federal Income Tax Considerations

Scope of Discussion

This discussion does not generally address any aspects of U.S. taxation other than U.S. federal income taxation, is not a complete analysis or description of all of the possible tax consequences of the Redomestication or of holding and disposing of Allied World Switzerland voting shares and does not address all tax considerations that may be relevant to you. Special rules that are not discussed in the general descriptions below may also apply to you. In particular, this discussion deals only with holders that hold their Allied World Bermuda shares and will hold their Allied World Switzerland voting shares as capital assets and does not address the tax treatment of special classes of holders, such as:

a holder of Allied World Bermuda shares who, at any time within the five-year period ending on the date of the Redomestication, has actually or constructively owned 10% or more of the total combined voting power of all classes of stock entitled to vote of Allied World Bermuda or who, immediately before the Redomestication, actually or constructively owns at least 5% (by vote or value) of the outstanding stock of Allied World Bermuda,

a holder of Allied World Switzerland voting shares who, immediately after the Redomestication, actually or constructively owns at least 5% of either the total voting power or the total value of the stock of Allied World Switzerland or who, at any time after the Redomestication, actually or constructively owns 10% or more of the total combined voting power of all classes of stock entitled to vote of Allied World Switzerland,

a bank or other financial institution,

an insurance company,

a person holding shares as part of a straddle, hedge, integrated transaction, or conversion transaction,

a person holding shares through a partnership or other pass-through entity,

a U.S. expatriate,

a person who is liable for alternative minimum tax,
a broker-dealer or trader in securities or currencies,
a U.S. holder whose functional currency is not the U.S. dollar,
a regulated investment company,
a real estate investment trust,

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a trader in securities who has elected the mark-to-market method of accounting for its securities, or

a holder who received the Allied World Bermuda shares through the exercise of employee stock options or otherwise as compensation or through a tax qualified retirement plan.

This discussion is based on the laws of the United States, including the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the U.S. Code, its legislative history, existing and proposed Treasury regulations promulgated thereunder, judicial decisions, published rulings, administrative pronouncements and income tax treaties to which the United States is a party, each as in effect on the date of this proxy statement. These laws may change, possibly with retroactive effect. There can be no assurance that the United States Internal Revenue Service, which we refer to as the IRS, will not disagree with or will not successfully challenge any of the conclusions reached and described in this discussion.

For purposes of this discussion, a U.S. holder is any beneficial owner of Allied World Bermuda shares, or, after the completion of the Redomestication, Allied World Switzerland voting shares, that for U.S. federal income tax purposes is:

an individual citizen or resident alien of the United States,

a corporation (or other entity taxable as a corporation) organized under the laws of the United States or any state thereof including the District of Columbia,

an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or

a trust if (1) it validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) its administration is subject to the primary supervision of a court within the United States and (b) one or more United States persons have the authority to control all of its substantial decisions.

A non-U.S. holder is any beneficial owner of Allied World Bermuda shares, or, after the completion of the Redomestication, Allied World Switzerland voting shares, other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that is not a U.S. holder. For purposes of this summary, holder or shareholder means either a U.S. holder or a non-U.S. holder or both, as the context may require.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Allied World Bermuda shares or Allied World Switzerland voting shares, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Holders of Allied World Bermuda shares or Allied World Switzerland voting shares that are partnerships and partners in these partnerships are urged to consult their tax advisers regarding the U.S. federal income tax consequences to them of the Redomestication and the ownership and disposition of the Allied World Switzerland voting shares.

In the discussion that follows, except as otherwise indicated, it is assumed, as Allied World Bermuda believes to be the case, that Allied World Bermuda has not been and will not be a passive foreign investment company before the Redomestication and that Allied World Switzerland will not be a passive foreign investment company after the Redomestication. See Passive Foreign Investment Company Considerations. It is also assumed, as Allied World Bermuda expects to be the case, that Allied World Switzerland will continue to be a foreign corporation in the future.

Taxation of Allied World Switzerland Subsequent to the Redomestication

We do not anticipate any material changes to the taxation of Allied World Switzerland as a result of the Redomestication. For further discussion, please refer to U.S. Taxation of our Non-U.S. Companies and U.S. Taxation of our U.S. Subsidiaries in Allied World Bermuda's Form S-3 filed with the SEC on December 31, 2007.

U.S. Holders

Consequences of the Redomestication. The Redomestication, together with the subsequent election by Allied World Bermuda to be treated as an entity disregarded from its owner for U.S. federal tax purposes, will

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constitute a reorganization within the meaning of Section 368(a)(1)(F) of the U.S. Code. The material U.S. federal income tax consequences of the Redomestication to U.S. holders are as follows:

U.S. holders will recognize no gain or loss in the Redomestication;

a U.S. holder's tax basis in the Allied World Switzerland voting shares received in the Redomestication will equal the U.S. holder's tax basis in its shares of Allied World Bermuda common shares cancelled in the Redomestication; and

the holding period of the Allied World Switzerland voting shares received by a U.S. holder in the Redomestication will include the period during which the U.S. holder held its shares of Allied World Bermuda common shares cancelled in the Redomestication.

Shareholders who hold their Allied World Bermuda shares with differing bases or holding periods are urged to consult their tax advisors with regard to identifying the bases and holding periods of the particular Allied World Switzerland voting shares received in the Scheme of Arrangement.

Consequences to Shareholders of Allied World Switzerland Subsequent to the Redomestication

Taxation of Distributions. Subject to the discussions below relating to the potential application of the controlled foreign corporation, which we refer to as CFC, related person insurance income, which we refer to as RPII, and passive foreign investment company, which we refer to as PFIC, rules, the gross amount of a distribution paid with respect to Allied World Switzerland, including the full amount of any Swiss withholding tax thereon, will be a dividend for U.S. federal income tax purposes to the extent of current or accumulated earnings and profits of Allied World Switzerland (as determined for U.S. tax purposes). With respect to non-corporate U.S. holders, certain dividends received in taxable years beginning before January 1, 2011 from a qualified foreign corporation will be subject to U.S. federal income tax at a maximum rate of 15%. In general, Allied World Switzerland will be treated as a qualified foreign corporation if the Allied World Switzerland voting shares are listed on the NYSE or certain other exchanges or Allied World Switzerland qualifies for benefits under the income tax treaty between the United States and Switzerland. This reduced rate is subject to a U.S. holder's satisfaction of certain significant holding period and other applicable requirements, including that Allied World Switzerland cannot be a passive foreign investment company (as described below), and will not be available in all situations. Accordingly, U.S. holders are urged to consult their own tax advisors regarding the application of the relevant rules to their particular circumstances. As a Swiss corporation, if Allied World Switzerland is treated as a qualified foreign corporation such dividends will constitute qualified dividend income taxed as net capital gain.

To the extent that a distribution exceeds Allied World Switzerland's current or accumulated earnings and profits (as determined for U.S. tax purposes), it will be treated as a nontaxable return of capital to the extent of the taxpayer's basis in the stock, and thereafter as a capital gain. While dividends paid by Allied World Switzerland generally will be treated as foreign source income, if U.S. holders own a majority of our voting shares as we expect to continue to be the case, a portion of the dividends may be treated as U.S. source income. Allied World Switzerland dividends will not be eligible for the dividends received deduction allowed to corporate shareholders under the U.S. Code.

Subject to complex limitations, Swiss withholding tax will be treated for U.S. tax purposes as a foreign tax that may be claimed as a foreign tax credit against the U.S. federal income tax liability of a U.S. holder. Dividends distributed by Allied World Switzerland will generally be categorized as passive income or, in the case of some holders, as financial services income, for purposes of computing allowable foreign tax credits for U.S. tax purposes. Certain taxpayers may be able to treat financial services income as general category income. The rules relating to the determination of the foreign tax credit are complex, and you should consult your own tax advisors to determine

whether and to what extent a credit would be available. In lieu of claiming a credit, U.S. holders may claim a deduction of foreign taxes paid in the taxable year. Unlike a tax credit, a deduction generally does not reduce U.S. tax on a dollar-for-dollar basis.

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Classification of Allied World Switzerland or its Non-U.S. Subsidiaries as Controlled Foreign Corporation. Each 10% U.S. Shareholder (as defined below) of a non-U.S. corporation that is a CFC for an uninterrupted period of 30 days or more during a taxable year, and who owns shares in the CFC, directly or indirectly through non-U.S. entities, on the last day of the CFC's taxable year, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's subpart F income, even if the subpart F income is not distributed. A non-U.S. corporation is considered a CFC if 10% U.S. Shareholders own (directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the U.S. Code (i.e., constructively)) more than 50% of the total combined voting power of all classes of voting stock of such non-U.S. corporation, or more than 50% of the total value of all stock of such corporation on any day during the taxable year of such corporation. For purposes of taking into account insurance income, a CFC also includes a non-U.S. insurance company in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned by 10% U.S. Shareholders, on any day during the taxable year of such corporation. A 10% U.S. Shareholder is a U.S. Person who owns (directly, indirectly through non-U.S. entities or constructively) at least 10% of the total combined voting power of all classes of stock entitled to vote of the non-U.S. corporation. We believe that because of the dispersion of our share ownership, provisions in our organizational documents that limit voting power (these provisions are described in Description of Allied World Switzerland Shares Voting), provisions in the bye-laws of our non-U.S. subsidiaries and other factors, no U.S. Person who owns shares of Allied World Switzerland directly or indirectly through one or more non-U.S. entities should be treated as owning (directly, indirectly through non-U.S. entities, or constructively), 10% or more of the total voting power of all classes of shares of Allied World Switzerland or any of its non-U.S. subsidiaries and, therefore, we believe that Allied World Switzerland and its non-U.S. subsidiaries should not be CFCs. It is possible, however, that the IRS could challenge the effectiveness of these provisions and that a court could sustain such a challenge.

The RPII CFC Provisions. The following discussion generally is applicable only if the RPII of any of the non-U.S. insurance subsidiaries, determined on a gross basis, is 20% or more of a Non-U.S. Insurance Subsidiary's gross insurance income for the taxable year and the 20% Ownership Exception (as defined below) is not met. The following discussion generally would not apply for any fiscal year in which a Non-U.S. Insurance Subsidiary's gross RPII falls below the 20% threshold or the 20% Ownership Exception is met. Although we cannot be certain, we believe that each of our Non-U.S. Insurance Subsidiaries was in prior years of operations and will be for the foreseeable future below either the 20% threshold or 20% Ownership Exception for each tax year.

RPII is any insurance income (as defined below) attributable to policies of insurance or reinsurance with respect to which the person (directly or indirectly) insured is a RPII shareholder (as defined below) or a related person (as defined below) to such RPII shareholder. In general, and subject to certain limitations, insurance income is income (including premium and investment income) attributable to the issuing of any insurance or reinsurance contract which would be taxed under the portions of the U.S. Code relating to insurance companies if the income were the income of a domestic insurance company. For purposes of inclusion of the RPII of a Non-U.S. Insurance Subsidiary in the income of RPII shareholders, unless an exception applies, the term RPII shareholder would mean any U.S. Person who owns (directly or indirectly through non-U.S. entities) any amount of Allied World Switzerland voting shares. Generally, the term related person for this purpose means someone who controls or is controlled by the RPII shareholder or someone who is controlled by the same person or persons which control the RPII shareholder. Control is measured by either more than 50% in value or more than 50% in voting power of stock applying certain constructive ownership principles. A Non-U.S. Insurance Subsidiary will be treated as a CFC under the RPII provisions if RPII shareholders are treated as owning (directly, indirectly through non-U.S. entities or constructively) 25% or more of the shares of Allied World Switzerland by vote or value.

RPII Exceptions. The special RPII rules would not apply if (i) at all times during the taxable year less than 20% of the voting power and less than 20% of the value of the stock of Allied World Switzerland, which we refer to as the 20% Ownership Exception, is owned (directly or indirectly) by persons who are (directly or indirectly) insured under any

policy of insurance or reinsurance issued by a Non-U.S Insurance Subsidiary or related persons to any such person, (ii) RPII, determined on a gross basis, is less than 20% of a Non-U.S Insurance Subsidiary gross insurance income for the taxable year (the 20% Gross Income Exception), (iii) a Non-U.S Insurance Subsidiary elects to be taxed on its RPII as if the RPII were effectively connected with the conduct of a U.S. trade or business,

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and to waive all treaty benefits with respect to RPII and meet certain other requirements or (iv) a Non-U.S Insurance Subsidiary elects to be treated as a U.S. corporation and waive all treaty benefits and meet certain other requirements. Where none of these exceptions applies, each U.S. Person owning or treated as owning any voting shares Allied World Switzerland (and therefore, indirectly, in a Non-U.S Insurance Subsidiary) on the last day of Allied World Switzerland's taxable year will be required to include in its gross income for U.S. federal income tax purposes its share of the RPII for the portion of the taxable year during which a Non-U.S Insurance Subsidiary was a CFC under the RPII provisions, determined as if all such RPII were distributed proportionately only to such U.S. Persons at that date, but limited by each such U.S. Person's share of a Non-U.S Insurance Subsidiary's current-year earnings and profits as reduced by the U.S. Person's share, if any, of certain prior-year deficits in earnings and profits. The Non-U.S Insurance Subsidiaries intend to operate in a manner that is intended to ensure that each qualifies for either the 20% Gross Income Exception or 20% Ownership Exception.

Computation of RPII. For any year in which a Non-U.S Insurance Subsidiary's gross RPII is 20% or more of its gross insurance income for the year and the Non-U.S Insurance Subsidiary does not meet the 20% Ownership Exception, Allied World Switzerland may also seek information from its shareholders as to whether beneficial owners of voting shares at the end of the year are U.S. Persons so that the RPII may be determined and apportioned among such persons; to the extent Allied World Switzerland is unable to determine whether a beneficial owner of voting shares is a U.S. Person, we may assume that such owner is not a U.S. Person, thereby increasing the per share RPII amount for all known RPII shareholders. The amount of RPII includable in the income of a RPII shareholder is based upon the net RPII income for the year after deducting related expenses such as losses, loss reserves and operating expenses.

If gross RPII is less than 20% of gross insurance income or the Non-U.S Insurance Subsidiary meets the 20% Ownership Exception, RPII shareholders will not be required to include RPII in their taxable income. The amount of RPII includable in the income of a RPII shareholder is based upon the net RPII income for the year after deducting related expenses such as losses, loss reserves and operating expenses.

Apportionment of RPII to U.S. Holders. Every RPII shareholder who owns voting shares on the last day of any taxable year of Allied World Switzerland in which a Non-U.S Insurance Subsidiary's gross insurance income constituting RPII for that year equals or exceeds 20% of the Non-U.S Insurance Subsidiary's gross insurance income and the Non-U.S Insurance Subsidiary does not meet the 20% Ownership Exception should expect that for such year it will be required to include in gross income its share of the a Non-U.S Insurance Subsidiary's RPII for the portion of the taxable year during which the Non-U.S Insurance Subsidiary was a CFC under the RPII provisions, whether or not distributed, even though it may not have owned the shares throughout such period. A RPII shareholder who owns voting shares during such taxable year but not on the last day of the taxable year is not required to include in gross income any part of a Non-U.S Insurance Subsidiary's RPII.

Uncertainty as to Application of RPII. The RPII provisions are complex, have never been interpreted by the courts or the Treasury Department of the United States (the Treasury) in final Treasury regulations, and Treasury regulations interpreting the RPII provisions of the U.S. Code exist only in proposed form. It is not certain whether these Treasury regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of RPII by the IRS, the courts or otherwise, might have retroactive effect. These provisions include the grant of authority to the Treasury Department to prescribe such Treasury regulations as may be necessary to carry out the purpose of this subsection including Treasury regulations preventing the avoidance of this subsection through cross insurance arrangements or otherwise. Accordingly, the meaning of the RPII provisions and the application thereof to a Non-U.S Insurance Subsidiary is uncertain. In addition, we cannot be certain that the amount of RPII or the amounts of the RPII inclusions for any particular RPII shareholder, if any, will not be subject to adjustment based upon subsequent IRS examination. Any prospective investor which does business with a Non-U.S Insurance Subsidiary and is considering an investment in voting shares should consult his or her tax advisor as to the effects of these uncertainties.

Tax-Exempt Shareholders. Tax-exempt entities will be required to treat certain subpart F insurance income, including RPII, that is includible in income by the tax-exempt entity as unrelated business taxable income. Prospective investors that are tax exempt entities are urged to consult their tax advisors as to the potential impact of

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the unrelated business taxable income provisions of the U.S. Code. A tax-exempt organization that is treated as a 10% U.S. Shareholder or a RPII Shareholder also must file IRS Form 5471 in certain circumstances.

Dispositions of Allied World Switzerland Shares. Subject to the discussions below relating to the potential application of U.S. Code section 1248 and the PFIC rules, a U.S. holder of Allied World Switzerland voting shares generally should recognize capital gain or loss for U.S. federal income tax purposes on the sale, exchange or other disposition of Allied World Switzerland voting shares in an amount equal to the difference between the amount realized (i.e., the amount of cash plus the fair market value of any property received) on such sale, exchange or other disposition and the holder's adjusted tax basis in Allied World Switzerland voting shares. Such capital gain or loss will be long-term capital gain or loss if the holder's holding period for Allied World Switzerland voting shares exceeds one year at the time of the sale, exchange or other disposition. Under current law, long-term capital gain of non-corporate U.S. shareholders is subject to tax at a maximum rate of 15%. However, this reduced rate is scheduled to expire effective for taxable years beginning after December 31, 2010. The deductibility of capital losses is subject to limitations. Moreover, gain, if any,