

Allied World Assurance Co Holdings, AG
Form PRE 14A
February 10, 2017

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 under §240.14a-12

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

(Exact name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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- o Fee paid previously with preliminary materials.
 - o 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.:
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 - (4) Date Filed:
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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION DATED FEBRUARY 22, 2017

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG
Park Tower, 15th floor, Gubelstrasse 24
6300 Zug, Switzerland

February 22, 2017

Dear Shareholder:

We are pleased to invite you to attend the extraordinary general meeting of shareholders of Allied World Assurance Company Holdings, AG (Allied World, the company, we, our or us), a Swiss corporation, which will be held at Allied World's corporate headquarters, Park Tower, 15th floor, Gubelstrasse 24, 6300 Zug, Switzerland, on March 22, 2017, at 2:00 p.m., local time (the Special Shareholder Meeting).

The Special Shareholder Meeting is being called to vote on the items described below in connection with the proposed exchange offer (the offer) by a wholly-owned subsidiary (Bid Sub) of Fairfax Financial Holdings Limited, a corporation existing under the laws of Canada (Fairfax), to acquire all of the outstanding common shares, par value CHF 4.10 per share of Allied World (common shares), pursuant to the terms, and subject to the conditions, of that certain Agreement and Plan of Merger, dated as of December 18, 2016, between Fairfax and Allied World, as may be amended from time to time.

At the Special Shareholder Meeting, holders of our common shares will be asked to consider and vote on: (i) a proposal to amend Articles 8 and 14 of the company's Articles of Association to remove the limitation on the voting rights of a holder of 10% or more of our common shares (the Amendment Proposal); and (ii) a proposal for Allied World to pay, as soon as possible after the closing of the offer, a special dividend of \$5.00 per common share to holders of our outstanding common shares as of immediately prior to the closing of the offer and to forgo the \$0.26 quarterly dividend (the Special Dividend Proposal). Each proposal is conditioned on the closing of the offer.

The Board unanimously recommends that the shareholders of the company vote FOR the Amendment Proposal and vote FOR the Special Dividend Proposal.

Completion of the offer is conditioned on, among other things, the approval of each of these proposals. Please note that by voting on these proposals, you are not making a decision with respect to the offer. You will have the opportunity to elect whether to tender your shares in the offer at a later date once the offer is commenced. See Important Note Regarding the Special Shareholder Meeting.

Your vote is very important. Whether or not you expect to attend in person, we urge you to submit a proxy to vote your shares as promptly as possible by signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Special Shareholder Meeting. If your shares are held in an Allied World plan or in the name of a bank, brokerage firm or other nominee, please follow the instructions on the voting instruction card furnished by the plan trustee or administrator, or record holder, as appropriate.

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If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Georgeson LLC, at (800) 248-7690.

Thank you for your continued support.

Sincerely,

Scott A. Carmilani
Chairman, President and Chief Executive Officer
Allied World Assurance Company Holdings, AG

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTICE OF SPECIAL SHAREHOLDER MEETING

February 22, 2017

DATE: Wednesday, March 22, 2017

TIME: 2:00 p.m., local time

PLACE: Corporate headquarters: Park Tower, 15th floor, Gubelstrasse 24, 6300 Zug, Switzerland

ITEMS OF BUSINESS:

Amend the Articles of Association to remove the limitation on the voting rights of a holder of 10% or more of the company's common shares; and

Approve the payment of a \$5.00 special dividend and forgo the \$0.26 quarterly dividend.

RECORD DATE: Only shareholders of record holding common shares, as shown on our transfer books, as of the close of business on February 17, 2017 are entitled to vote at the Special Shareholder Meeting.

MATERIALS TO REVIEW: This document contains our Notice of Special Shareholder Meeting and Proxy Statement.

PROXY VOTING: It is important that your shares be represented and voted at the Special Shareholder Meeting. Please promptly sign, date and return the enclosed proxy card in the return envelope furnished for that purpose whether or not you plan to attend the meeting. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached proxy statement.

By Order of the Board of Directors,

Theodore Neos
Corporate Secretary

IMPORTANT NOTE REGARDING THE SPECIAL SHAREHOLDER MEETING

While the closing of the offer is conditioned on (among other things) the approval of the Amendment Proposal and the Special Dividend Proposal, shareholders should be aware that a vote in favor of the Amendment Proposal or the Special Dividend Proposal at the Special Shareholder Meeting is not a vote in favor of, or a tender of our common shares into, the offer. The offer has not commenced. At the time the offer is commenced, Fairfax will file with the U.S. Securities and Exchange Commission (the SEC): (i) a registration statement on Form F-4, which will include a prospectus of Fairfax in respect of the Fairfax shares to be issued in the offer; and (ii) a tender offer statement on Schedule TO (together with related documents, including an offer to exchange and a related form of letter of transmittal), and Allied World will file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the offer. These documents will contain important information about the offer that should be read carefully before any decision is made with respect to the offer. By voting on the proposals in this proxy statement, you are not making a decision with respect to the offer. You will have the opportunity to elect whether to tender your shares in the offer at a later date once the offer is commenced.

PROXY STATEMENT

SPECIAL MEETING INFORMATION

Q: **Why am I receiving these materials?**

A: You are receiving these materials because you are a shareholder of Allied World Assurance Company Holdings, AG as of the Record Date (as defined below). The Board is soliciting the enclosed proxy to be voted at the Extraordinary General Meeting of the company's shareholders to be held at 2:00 p.m., local time, on Wednesday, March 22, 2017 at the company's corporate headquarters, Park Tower, 15th floor, Gubelstrasse 24, 6300 Zug, Switzerland (the Special Shareholder Meeting). This Proxy Statement summarizes the information you need to know to vote at the Special Shareholder Meeting.

When the enclosed proxy card is properly executed and returned, the company's registered voting shares (the common shares) it represents will be voted, subject to any direction to the contrary, at the Special Shareholder Meeting **FOR** the matters specified in the Notice of Special Shareholder Meeting attached hereto and described more fully herein.

This Proxy Statement, the attached Notice of Special Shareholder Meeting and the enclosed proxy card are being first mailed to shareholders on or about February 22, 2017.

Except as the context otherwise requires, references in this Proxy Statement to we, us, our and the company refer to Allied World Assurance Company Holdings, AG and its direct and indirect subsidiaries on a consolidated basis. Also, in this Proxy Statement, \$ and USD refer to U.S. dollars, CHF refers to Swiss francs and local time means the time in Switzerland.

Q: **Who is entitled to vote?**

A: The Board has set February 17, 2017, as the record date for the Special Shareholder Meeting (the Record Date). Holders of our common shares as of the close of business on the Record Date will be entitled to vote at the Special Shareholder Meeting. As of January 31, 2017, there were outstanding 87,134,058 common shares.

Beneficial owners of our common shares and shareholders registered in our share register with common shares at the close of business on the Record Date are entitled to vote at the Special Shareholder Meeting. Shareholders not registered in our share register as of the Record Date will not be entitled to attend, vote or grant proxies to vote at the Special Shareholder Meeting. No shareholder will be entered in our share register as a shareholder with voting rights between the close of business on the Record Date and the opening of business on the day following the Special Shareholder Meeting. Continental Stock Transfer & Trust Company, as transfer agent, which maintains our share register, will, however, continue to register transfers of our registered shares in the share register in its capacity as transfer agent during this period.

Q: **What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

A: Most of our shareholders hold their shares through a bank, brokerage firm or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

Shareholder of Record

If your common shares are registered directly in your name, as registered shares entitled to voting rights, in our share register operated by our transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly by us. As the shareholder of record, you have the right to grant your voting proxy directly to the independent proxy mentioned in the proxy card (see *How do I appoint and vote via an independent proxy if I am a shareholder of record?* below), grant your voting proxy to any other person (who does not need to be a shareholder) or vote in person at the Special Shareholder Meeting.

Beneficial Owner

If your common shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee on how to vote your common shares and are also invited to attend the Special Shareholder Meeting. However, since you are not the shareholder

of record, you may only vote these common shares in person at the Special Shareholder Meeting if you follow the instructions described below under the heading *How do I vote?* Your bank, brokerage firm or other nominee has enclosed a voting instruction card for you to use in directing your bank, broker or other nominee as to how to vote your common shares, which may contain instructions for voting by telephone or electronically.

Q: How many votes are required to transact business at the Special Shareholder Meeting?

A: A quorum is required to transact business at the Special Shareholder Meeting. Without giving effect to the limitation on voting rights described below, the quorum required at the Special Shareholder Meeting is two or more persons present in person and representing in person or by proxy throughout the meeting more than 50% of the total issued and outstanding common shares registered in our share register.

Q: What will I be voting on, what vote is required and how will abstentions and broker non-votes be counted?

A: The following chart describes the proposals to be considered at the meeting, the vote required to adopt each proposal and the manner in which the votes will be counted:

	Proposal	Vote Required	Effect of Abstentions	Effect of Broker Non-Votes
1	Amendment Proposal	2/3 of shares represented(1)	Vote against	Vote not counted
2	Special Dividend Proposal	Majority of votes cast(2)	Vote not counted	Vote not counted

(1) The approval of this proposal requires the approval of at least 66 2/3% of the votes represented at the Special Shareholder Meeting and a majority of the nominal value of the Allied World shares represented at such meeting.

(2)

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The approval of this proposal requires the approval of the simple majority of the votes cast at the Special Shareholder Meeting.

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- Abstentions and broker non-votes will be counted toward the presence of a quorum at the Special Shareholder 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 not have discretion to vote on any of the proposals in this proxy statement as they are non-routine matters.

Q: What are the voting recommendations of the Board?

A: Your Board unanimously recommends that you vote FOR each of the Amendment Proposal and the Special Dividend Proposal.

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

A: A vote will be taken on all matters properly brought before the Special Shareholder Meeting. Each shareholder present who elects to vote in person and each person holding a valid proxy is entitled to one vote for each common share owned or represented.

Q: How many votes do I have?

A: Holders of our common shares are entitled to one vote per share on each matter to be voted upon by the shareholders at the Special Shareholder Meeting, unless you own Controlled Shares that constitute 10% or more of the issued common shares, in which case your voting rights with respect to those Controlled Shares will be limited, in the aggregate, to a voting power of approximately 10% pursuant to a formula specified in Article 14 of our Articles of Association. Our Articles of Association define Controlled Shares generally to include all shares of the company directly, indirectly or constructively owned or beneficially owned by any person or group of persons.

Q: How do I vote?

A: The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that

your common shares are represented by certificates or book entries in your name so that you appear as a shareholder of record in the company's share register maintained by our transfer agent, Continental Stock Transfer & Trust Company, a proxy card for voting those shares will be included with this Proxy Statement. You may direct how your shares are to be voted by completing, signing and returning the proxy card in the enclosed envelope. You may also vote your common shares in person at the Special Shareholder Meeting.

If you own shares through a bank, brokerage firm or other nominee, you may instead receive from your bank, brokerage firm or nominee a voting instruction form with this Proxy Statement that you may use to instruct them as to 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 instruction form in the envelope provided. Many banks, brokerage firms and other nominees have arranged for internet or telephonic voting of shares and provide instructions for using those services on the voting instruction form. If you want to vote your shares in person at the meeting, you must obtain a proxy from your bank, broker or nominee giving you the right to vote your common shares at the Special Shareholder Meeting.

We have requested that banks, brokers and other nominees forward solicitation materials to the beneficial owners of common shares and will reimburse the banks, brokers and other nominees for their reasonable out-of-pocket expenses for forwarding the materials.

Q: Who will count the vote?

A: A representative from Baker McKenzie Zurich, a law firm, will act as the inspector of elections and will be responsible for tabulating the votes cast by proxy (which will have been certified by our independent transfer agent) or in person at the Special Shareholder Meeting. Under Swiss law, we are responsible for determining whether or not a quorum is present and the final voting results.

Q: What does it mean if I receive more than one set of the Proxy Statement and proxy card?

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

Q: What happens if I sign and return my proxy card but do not indicate how to vote my shares?

A: If no instructions are provided in an executed proxy card, the common shares represented by the proxy will be voted at the Special Shareholder Meeting in accordance with the Board's recommendation for each proposal. As to any other business that may properly come before the Special Shareholder Meeting, you may provide general instructions, as indicated on the proxy card, as to how such other business is to be voted. If you provide no instruction, the common shares represented by the proxy will be voted in accordance with the Board's recommendation as to such business.

Q: How do I appoint and vote via an independent proxy if I am a shareholder of record?

A: If you are a shareholder of record as of the Record Date, under Swiss law you may authorize the independent proxy, Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland, e-mail at proxy@bblegal.ch, with full rights of substitution, to vote your common shares on your behalf. If you authorize the independent proxy to vote your shares without giving instructions (or without giving clear instructions), your shares will be voted in accordance with the recommendations of the

Board with regard to the items listed in the notice of meeting. If new agenda items (other than those in the notice of meeting) or new proposals or motions with respect to those agenda items set forth in the notice of meeting are being put forth before the Special Shareholder Meeting, you may provide general instructions, as indicated on the proxy card, as to how such other business is to be voted. If you provide no instruction, the common shares represented by the proxy will be voted in accordance with the Board's recommendation as to such business. Proxy cards authorizing the independent proxy to vote your shares must be sent directly to the independent proxy, arriving no later than 6:00 a.m., local time, on March 22, 2017. If sending by e-mail to the independent proxy, you must attach the executed proxy card in order for your vote to be counted.

Q: Can I change my vote after I have mailed my signed proxy card or otherwise instructed how my shares are to be voted?

A: Yes. You may change your vote:

- By providing the Corporate Secretary with written notice of revocation, by voting in person at the Special Shareholder Meeting or by executing a later-dated proxy card; *provided, however*, that the action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken;
- If you have granted your proxy to the independent proxy, by providing Buis Buergi AG with written notice of revocation, by voting in person at the Special Shareholder Meeting or by executing a later-dated independent proxy card. Revocation of, or changes to, proxies issued to the independent proxy must be received by the independent proxy by 6:00 a.m., local time, on March 22, 2017 either by mail to Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland or by e-mail at proxy@bblegal.ch; or

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

Attendance at the Special Shareholder Meeting by a shareholder who has executed and delivered a proxy card to the independent proxy shall not in and of itself constitute a revocation of such proxy. Only your vote at the Special Shareholder Meeting will revoke your proxy.

Q:
Who pays the costs of soliciting proxies?

A:
We will bear the cost of the solicitation of proxies. Solicitation will be made by mail,

and may be made by our directors, officers and employees, personally or by telephone, facsimile or other electronic means, for which our directors, officers and employees will not receive any additional compensation. Proxy cards and materials also will be distributed to beneficial owners of common shares through banks, brokers, custodians, nominees and other parties, and the company expects to reimburse such parties for their reasonable charges and expenses. Georgeson LLC has been retained to assist us in the solicitation of proxies at a fee not expected to exceed \$25,000, plus out-of-pocket expenses.

Organizational Matters Required by Swiss Law

Admission to the Special Shareholder Meeting

Shareholders who are registered in our share register on the Record Date will receive the Proxy Statement and proxy card from Continental Stock Transfer & Trust Company, our transfer agent. Beneficial owners of shares will receive instructions from their bank, brokerage firm or other nominee acting as shareholder of record to indicate how they wish their shares to be voted. Beneficial owners who wish to vote in person at the Special Shareholder Meeting must obtain a power of attorney from their bank, brokerage firm or other nominee that authorizes them to vote the shares held by them on their behalf. In addition, you must bring to the Special Shareholder Meeting an account statement or letter from your bank, brokerage firm or other nominee indicating that you are the owner of the common shares. Shareholders of record registered in our share register are entitled to participate in and vote at the Special Shareholder Meeting. Each share is entitled to one vote. The exercise of voting rights is subject to the voting restrictions set out in the company's Articles of Association, a summary of which is contained in [How many votes do I have?](#) Please see the questions and answers provided under [Special Meeting Information](#) for further information.

Granting a Proxy

If you are a shareholder of record, please see [How do I vote?](#) and [How do I appoint and vote via an independent proxy if I am a shareholder of record?](#) above in the Proxy Statement for more information on appointing an independent proxy.

Registered shareholders who have appointed the independent proxy as a proxy may not vote in person at the Special Shareholder Meeting or send a proxy of their choice to the meeting unless they revoke or change their proxies. Revocations to the independent proxy must be received by him by no later than 6:00 a.m., local time, on March 22, 2017 either by mail to Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland or by e-mail at proxy@bblegal.ch.

As indicated on the proxy card, with regard to the items listed on the agenda and without any explicit instructions to the contrary, the independent proxy will vote according to the recommendations of the Board. If new agenda items (other than those on the agenda) or new proposals or motions regarding agenda items set out in the invitation to the Special Shareholder Meeting are being put forth before the meeting, the independent proxy will vote in accordance with the position of the Board in the absence of other specific instructions.

Beneficial owners who have not obtained a power of attorney from their bank, brokerage firm or other nominee are not entitled to participate in or vote at the Special Shareholder Meeting.

Admission Office

The admission office opens on the day of the Special Shareholder Meeting at 1:30 p.m. local time. Shareholders of record attending the meeting are kindly asked to present their proxy card as proof of admission at the entrance.

Recent Developments: Merger Agreement with Fairfax

Bid Sub will offer to acquire all of the outstanding common shares of Allied World upon the terms and subject to the conditions set out in the the Agreement and Plan of Merger, dated as of December 18, 2016, between Fairfax and Allied World, as may be amended from time to time (the Merger Agreement).

Pursuant to the Merger Agreement, Allied World shareholders will be offered a combination of cash and stock consideration for each common share, including:

- cash consideration of \$5.00, without interest (the Cash Consideration);
- a special cash dividend of \$5.00, without interest, payable as soon as possible after the Acceptance Time (as defined below) to holders of common shares as of immediately prior to the Acceptance Time;
- a portion of the stock consideration of fully paid and nonassessable subordinate voting shares of Fairfax (Fairfax Shares) having a value of \$14.00 based on the closing price of Fairfax as of December 16, 2016 (the Fairfax Closing Price), payable at a fixed exchange ratio of 0.030392 (the Fixed Exchange Stock Consideration); and
- the remaining portion of the stock consideration equal to the quotient of (x) \$30.00 and (y) the volume weighted average closing price of Fairfax shares on the Toronto Stock Exchange (the TSX) for the 20 consecutive trading days immediately preceding the trading day before the date on which Bid Sub first accepts tendered common shares for exchange (the Acceptance Time), converted from Canadian dollars to U.S. dollars using the average Bank of Canada USD/CAD noon exchange rate over such 20-day period, rounded to the nearest one-hundredth of one cent (provided that this volume weighted average price is no less than \$435.65 and no greater than \$485.65 per Fairfax Share) (the Fixed Value Stock Consideration). If this volume weighted average price of Fairfax Shares during this period is greater than or equal to \$485.65 per Fairfax Share, this portion of the consideration will be fixed at 0.061772 Fairfax Shares for each common share. If this volume weighted average price of Fairfax shares during this period is less than or equal to \$435.65 per Fairfax Share, this portion of the consideration will be fixed at 0.068862 Fairfax shares for each common share. Fairfax may elect, in its sole discretion, at any time on or prior to March 3, 2017, to increase the amount of the Cash Consideration from \$5.00 to an amount not exceeding \$35.00, which will correspondingly serve to reduce the Fixed Value Stock Consideration.

If, following completion of the offer, Fairfax has acquired or controls, directly or indirectly, at least 90% of all outstanding common shares of the company (excluding shares held by the company), no actions or proceedings are pending with respect to the exercisability of the voting rights associated with those common shares and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, subject to the satisfaction or waiver of the other conditions set forth in the Merger Agreement, indirectly through Merger Sub, a company to be incorporated under the laws of Switzerland and an indirect wholly-owned subsidiary of Fairfax (Merger Sub), effect a squeeze-out merger under Swiss law (the Squeeze-Out Merger). The Squeeze-Out Merger will be effected pursuant to a merger agreement to be entered into by Fairfax, Allied World, Bid Sub and Merger Sub, whereby any remaining holders of our common shares who do not properly exercise their dissenters rights in accordance with Swiss law will receive the same consideration described above in exchange for such common shares.

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The obligation of Fairfax to consummate the offer is subject to other conditions, including (i) approval by Allied World shareholders of the Amendment Proposal and the Special Dividend Proposal; (ii) approval by Allied World's shareholders to elect the individuals designated by Fairfax to Allied World's board of directors upon or after completion of the offer, such approval to be addressed in a separate proxy statement in connection with a vote at a separate special shareholder meeting, as may be waived by Fairfax; (iii) to the extent required by applicable laws and regulations (based on the total number of Fairfax Shares to be issued as consideration for the transactions), approval by Fairfax's shareholders of the issuance of Fairfax Shares as consideration for the transactions; (iv) a number of our common shares having been validly tendered and not properly withdrawn that represents 90% of our common shares outstanding (provided that, in the event all of the other conditions to the offer have been satisfied or waived, Fairfax, through Bid Sub, may elect in its sole and absolute discretion to reduce the 90% threshold to 66²/₃%); (v) receipt of governmental consents and approvals required to consummate the transactions; and (vi) other customary conditions set forth in the Merger Agreement. The obligation of each party to consummate the transactions is also conditioned upon the other party's representations and warranties being true and correct and the other party having performed in all material respects its obligations under the Merger Agreement.

The Merger Agreement provides for certain payments upon termination of the Merger Agreement under specified circumstances. If the Merger Agreement is terminated by Allied World or Fairfax as a result of an adverse change in the recommendation of the other party's board of directors, Allied World may be required to pay to Fairfax, or Fairfax may be required to pay to Allied World, a termination fee of \$196 million.

Shareholders should be aware that a vote in favor of any of these proposals, including the Amendment Proposal and the Special Dividend Proposal, is not a vote in favor of, or a tender of our common shares into, the offer. The offer has not commenced. At the time the offer is commenced, Fairfax will file with the SEC: (i) a registration statement on Form F-4, which will include a prospectus of Fairfax in respect of the Fairfax shares to be issued in the offer; and (ii) a tender offer statement on Schedule TO (together with related documents, including an offer to exchange and a related form of letter of transmittal), and Allied World will file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the offer. These documents will contain important information about the offer that should be read carefully before any decision is made with respect to the offer. By voting on the proposals in this proxy statement, you are not making a decision with respect to the offer. You will have the opportunity to elect whether to tender your shares in the offer at a later date once the offer is commenced.

For a more complete description of the Merger Agreement and the transactions contemplated thereby, see our Current Report on Form 8-K filed on December 20, 2016 with the SEC (including the complete text of the Merger Agreement, which is attached as Exhibit 2.1 thereto).

PROPOSAL 1

AMEND THE ARTICLES OF ASSOCIATION TO REMOVE THE LIMITATION ON THE VOTING RIGHTS OF A HOLDER OF 10% OR MORE OF THE COMPANY'S COMMON SHARES

Pursuant to the Merger Agreement, the company has agreed to submit a proposal to the company's shareholders to amend Article 14 of the Articles of Association to permit a holder of 10% or more of our common shares to register its common shares on the company's shareholder register with full voting rights for all shares held by such holder (or any of its affiliates or controlled persons as defined in Article 14 of the Articles of Association). The Board proposes that the shareholders amend Article 14 of the Articles of Association so that subparagraphs b), c), e) and f) will be deleted and not replaced and amend certain subparagraphs of Article 8 of the Articles of Association that refer to subparagraphs b), c), e) and f) of Article 14 of the Articles of Association. These amendments will provide assurance to Fairfax that Bid Sub or any other Fairfax-controlled company that holds common shares will, subject to and immediately upon the closing of the offer, be registered as a shareholder of Allied World with voting rights for all shares acquired in the offer or otherwise held by it. Under the current Articles of Association, holders of controlled shares that constitute 10% or more of our issued common shares have limited voting rights with respect to such controlled shares. Such voting right is limited, in the aggregate, to a voting power of approximately 10% pursuant to a formula specified in Article 14 of the Articles of Association. The Articles of Association define controlled shares generally to include all common shares directly, indirectly or constructively owned or beneficially owned by any person or group of persons.

Pursuant to Swiss law, we are required to submit to you for your approval both the English version and the (authoritative) German version of the proposed amendments to the Articles of Association. Upon the approval of this proposal, Articles 8 and 14 of the Articles of Association will be amended to read as follows:

Artikel 8 Aktienregister und Beschränkungen der Übertragbarkeit

- a) Für die Namenaktien wird ein Register (Aktienbuch) geführt. Darin werden die Eigentümer und Nutzniesser mit Namen und Vornamen, Wohnort, Adresse und Staatsangehörigkeit (bei juristischen Personen mit Sitz) eingetragen.
- b) Zur Eintragung ins Aktienbuch als Aktionär mit Stimmrecht ist die Zustimmung des Verwaltungsrats notwendig. Die Eintragung als Aktionär mit Stimmrecht kann in den in Artikel 8 lit. ~~e~~, ~~e~~, f) und g) der Statuten festgehaltenen Fällen abgelehnt werden. Lehnt der Verwaltungsrat die Eintragung des Erwerbers als Aktionär mit Stimmrecht ab, benachrichtigt er diesen innerhalb von 20 Tagen seit dem Eingang des Eintragungsgesuchs. Nicht anerkannte Erwerber werden als

Article 8 Share Register and Transfer Restrictions

- a) Registered shares are registered in a share register. The name of the owner or the usufructuary shall be entered in the share register with his/her name, address, domicile and citizenship (domicile in case of legal entities).
- b) Entry in the share register of registered shares with voting rights is subject to the approval of the Board of Directors. Entry of registered shares with voting rights may be refused based on the grounds set out in Article 8 paragraph ~~e~~, ~~e~~, f) and g) of the Articles of Association. If the Board of Directors refuses to register the acquirer as shareholder with voting rights it shall notify the acquirer of such refusal within 20 days upon receipt of the application. Non-recognized acquirers shall be entered in

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- Aktionäre ohne Stimmrecht ins Aktienbuch eingetragen. Die entsprechenden Aktien gelten in der Generalversammlung als nicht vertreten.
- c) ~~[gelöscht] Eine natürliche oder juristische Person wird in dem Umfang nicht als Aktionärin mit Stimmrecht im Aktienbuch eingetragen, in welchem die von ihr direkt oder indirekt im Sinne von Artikel 14 der Statuten gehaltene oder sonstwie kontrollierte Beteiligung 10% oder mehr des im Handelsregister eingetragenen Aktienkapitals beträgt. Dabei gelten Personen, die durch Absprache, Kapital, Stimmkraft, Leitung, Syndikat oder auf andere Weise miteinander verbunden sind, als eine Person. Im Umfang, in welchem eine derartige Beteiligung 10% oder mehr des Aktienkapitals beträgt, werden die entsprechenden Aktien ohne Stimmrecht ins Aktienbuch eingetragen.~~
- d) [reserviert]
- e) ~~[gelöscht] Die oben erwähnte 10% Limite gilt auch bei der Zeichnung oder dem Erwerb von Aktien, welche mittels Ausübung von Options- oder Wandelrechten aus Namen- oder Inhaberpapieren oder sonstigen von der Gesellschaft oder Dritten ausgestellten Wertpapieren oder welche mittels Ausübung von erworbenen Bezugsrechten aus Namen- oder Inhaberaktien gezeichnet oder erworben werden. Im Umfang, in welchem eine daraus resultierende Beteiligung 10% oder mehr des Aktienkapitals beträgt, werden die entsprechenden Aktien ohne Stimmrecht ins Aktienbuch eingetragen.~~
- f) Der Verwaltungsrat verweigert die Eintragung ins Aktienbuch als Aktionär mit Stimmrecht oder entscheidet über die Löschung eines bereits eingetragenen Aktionärs mit Stimmrecht aus dem Aktienbuch, wenn der Erwerber auf sein Verlangen hin nicht ausdrücklich erklärt, dass er die Aktien im eigenen Namen und auf eigene Rechnung erworben hat.
- g) Der Verwaltungsrat verweigert die Eintragung natürlicher und juristischer Personen, welche Namenaktien für Dritte halten und dies schriftlich gegenüber der Gesellschaft erklären, als Treuhänder/Nominees mit unbeschränktem
- the share register as shareholders without voting rights. The corresponding shares shall be considered as not represented in the General Meeting of Shareholders.
- c) ~~[deleted] No individual or legal entity may, directly or through Constructive Ownership (as defined in Article 14 of the Articles of Association below) or otherwise control voting rights with respect to 10% or more of the registered share capital recorded in the Commercial Register. Those associated through capital, voting power, joint management or in any other way, or joining for the acquisition of shares, shall be regarded as one person. The registered shares exceeding the limit of 10% shall be entered in the share register as shares without voting rights.~~
- d) [reserved]
- e) ~~[deleted] The limit of 10% of the registered share capital also applies to the subscription for, or acquisition of, registered shares by exercising option or convertible rights arising from registered or bearer securities or any other securities issued by the Company or third parties, as well as by means of exercising purchased pre-emptive rights arising from either registered or bearer shares. The registered shares exceeding the limit of 10% shall be entered in the share register as shares without voting rights.~~
- f) The Board of Directors shall reject entry of registered shares with voting rights in the share register or shall decide on their cancellation when the acquirer or shareholder upon request does not expressly state that he/she has acquired or holds the shares in his/her own name and for his/her own account.
- g) The Board of Directors shall reject entry of individuals and legal entities who hold registered shares for third parties and state this in writing to the Company, as nominees in the share register with voting rights without

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Stimmrecht ins Aktienbuch oder entscheidet über die Löschung aus dem Aktienbuch, wenn sie sich nicht dazu verpflichten, gegenüber der Gesellschaft auf deren schriftliches Verlangen hin jederzeit die Namen, Adressen und Beteiligungsquoten derjenigen Personen offenzulegen, für welche sie die Namenaktien halten.

limitation or shall decide on their cancellation when the nominee does not undertake the obligation to disclose at any time to the Company at its written request the names, addresses and share holdings of each person for whom such nominee is holding shares.

- h) Der Verwaltungsrat kann in besonderen Fällen Ausnahmen von den obgenannten Beschränkungen (Artikel 8 lit. ~~e), e),~~ f) und g) der Statuten) genehmigen. Sodann kann der Verwaltungsrat nach Anhörung der betroffenen Personen deren Eintragungen im Aktienbuch als Aktionäre rückwirkend streichen, wenn diese durch falsche Angaben zustande gekommen sind oder wenn die betroffene Person die Auskunft gemäss Artikel 8 lit. f) der Statuten verweigert.
- i) Solange ein Erwerber nicht Aktionär mit Stimmrecht im Sinne von Artikel 8 der Statuten geworden ist, kann er weder die entsprechenden Stimmrechte noch die weiteren mit diesem in Zusammenhang stehenden Rechte wahrnehmen.
- h) The Board of Directors may in special cases approve exceptions to the above regulations (Article 8 paragraph ~~e), e),~~ f) and g) of the Articles of Association). The Board of Directors is in addition authorized, after due consultation with the person concerned, to delete with retroactive effect entries in the share register which were effected on the basis of false information and/or to delete entries in case the respective person refuses to make the disclosures according to Article 8 paragraph f) of the Articles of Association.
- i) Until an acquirer becomes a shareholder with voting rights for the shares in accordance with this Article 8 of the Articles of Association, he/she may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights.

Artikel 14 Stimmrecht und Vertreter

Article 14 Voting Rights and Shareholders Proxies

- a) Jede Aktie berechtigt, unter Vorbehalt der Einschränkungen gemäss Artikel 8 der Statuten ~~und Artikel 14 lit. b) und c) untenstehend,~~ zu einer Stimme. Jeder stimmberechtigte Aktionär kann seine Aktien durch einen unabhängigen Stimmrechtsvertreter oder eine andere von ihm schriftlich bevollmächtigte Person vertreten lassen, welche kein Aktionär sein muss.
- b) ~~[gelöscht] Ungeachtet lit. a) vorstehend gilt Folgendes: Sobald und solange eine natürliche oder juristische Person Namenaktien entsprechend 10% oder mehr des im Handelsregister eingetragenen Aktienkapitals der Gesellschaft kontrolliert, ist diese bei ordentlichen oder ausserordentlichen Generalversammlungen maximal zu den gemäss nachfolgender Formel zu eruiierenden~~
- a) Each share is entitled to one vote subject to the provisions of Article 8 of the Articles of Association ~~and Article 14 paragraph b) and c) below.~~ Each shareholder may be represented at the General Meeting of Shareholders by an Independent Proxy or another person who is authorized by a written proxy and who does not need to be a shareholder.
- b) ~~[deleted] Notwithstanding paragraph a) above, if and so long as there are Controlled Shares representing 10% or more of the registered share capital recorded in the Commercial Register, regardless of the identity of the holder thereof, such Controlled Shares shall be entitled to cast votes at any General Meeting of Shareholders or Extraordinary General Meeting of Shareholders in the aggregate equal to the~~

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Stimmen (abgerundet auf die nächst tiefere, runde Zahl) berechnigt:

number (rounded down to the nearest whole number) obtained from the following formula:

$$\lfloor (T:100) \times 10 \rfloor - 1$$