

ALLEGHANY CORP /DE
Form DEF 14A
March 17, 2009

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

**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

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.

ALLEGHANY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

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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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**ALLEGHANY CORPORATION
7 Times Square Tower
New York, New York 10036**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
April 24, 2009 at 10:00 a.m., Local Time**

**Hotel du Pont
11th and Market Streets
Wilmington, Delaware**

Alleghany Corporation hereby gives notice that its 2009 Annual Meeting of Stockholders will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, on Friday, April 24, 2009 at 10:00 a.m., local time, for the following purposes:

1. To elect four directors for terms expiring in 2012.
2. To consider and take action upon a proposal to ratify the selection of KPMG LLP as Alleghany's independent registered public accounting firm for the year 2009.
3. To transact such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

Holders of Alleghany common stock at the close of business on March 2, 2009 are entitled to receive this Notice and vote for the election of directors and on each of the other matters set forth above at the 2009 Annual Meeting and any adjournments of this meeting.

You are cordially invited to be present. If you do not expect to attend in person, we ask that you sign and return the enclosed form of proxy in the envelope provided. You may revoke your proxy at any time prior to its being voted by written notice to the Secretary of Alleghany or by voting in person at the 2009 Annual Meeting.

By order of the Board of Directors

ROBERT M. HART
*Senior Vice President, General Counsel
and Secretary*

March 17, 2009

Important Notice Regarding Internet Availability of Proxy Materials for the Alleghany Corporation 2009 Annual Meeting of Stockholders to be Held on April 24, 2009:

Our proxy materials relating to our 2009 Annual Meeting (notice of meeting, proxy statement, proxy and 2008 Annual Report to Stockholders on Form 10-K) are also available on the Internet. Please go to

www.alleghany.com to view and obtain the proxy materials online.

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**ALLEGHANY CORPORATION
7 Times Square Tower
New York, New York 10036**

PROXY STATEMENT

2009 Annual Meeting of Stockholders to be held April 24, 2009

Alleghany Corporation, referred to in this proxy statement as Alleghany, we, our, or us is providing these proxy materials in connection with the solicitation of proxies by the Board of Directors of Alleghany, or the Board, from holders of Alleghany's outstanding shares of common stock entitled to vote at our 2009 Annual Meeting of Stockholders, or the 2009 Annual Meeting, and at any and all adjournments or postponements, for the purposes referred to below and in the accompanying Notice of 2009 Annual Meeting of Stockholders. These proxy materials are being mailed to stockholders on or about March 17, 2009.

Alleghany's Board has fixed the close of business on March 2, 2009 as the record date for the determination of stockholders entitled to notice of, and to vote at, the 2009 Annual Meeting. Stockholders are entitled to one vote for each share held of record on the record date with respect to each matter to be acted on at the 2009 Annual Meeting.

On March 2, 2009, 8,272,758 shares of Alleghany's common stock were outstanding and entitled to vote. The number of shares of Alleghany common stock as of March 2, 2009, and the share ownership information provided elsewhere in these proxy materials, do not include shares Alleghany will issue in connection with a common stock dividend, consisting of one share of Alleghany common stock for every 50 shares of outstanding Alleghany common stock. Alleghany will pay this common stock dividend on April 24, 2009 to stockholders of record at the close of business on April 1, 2009. References to common stock in this proxy statement refer to the common stock, par value \$1.00 per share, of Alleghany unless the context otherwise requires.

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We believe that, as of March 2, 2009, approximately 32.8% (but see Note (4) below) of our outstanding common stock was beneficially owned by F.M. Kirby, Allan P. Kirby, Jr., their sister, Grace Kirby Culbertson, and the estate or one or more beneficiaries of the estate of Ann Kirby Kirby, the sister of Messrs. Kirby and Mrs. Culbertson, primarily through a number of family trusts. The following table sets forth, as of March 2, 2009, such beneficial ownership of common stock of the foregoing members of the Kirby family, as well as other persons who, based upon filings made by them with the U.S. Securities and Exchange Commission, or the SEC, were the beneficial owners of more than five percent of our outstanding common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			Percent of Class
	Sole Voting Power and/or Sole Investment Power	Shared Voting Power and/or Shared Investment Power	Total	
F.M. Kirby 17 DeHart Street, P.O. Box 151, Morristown, NJ 07963	333,690	729,194	1,062,884(1)	12.8
Allan P. Kirby, Jr. 14 E. Main Street, P.O. Box 90, Mendham, NJ 07945	553,058		553,058(2)	6.7
Grace Kirby Culbertson Blue Mill Road, Morristown, NJ 07960	170,853	215,443	386,296(3)	4.7
Estate of Ann Kirby Kirby c/o Carter, Ledyard & Milburn LLP, 2 Wall Street New York, NY 10005	317,881	392,786	710,667(4)	8.6
Artisan Partners Limited Partnership 875 E. Wisconsin Avenue, Suite 800, Milwaukee, WI 53202		527,143	527,143(5)	6.4
Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway, Short Hills, NJ 07078	825,544		825,544(6)	10.0
Royce & Associates, LLC 1414 Avenue of the Americas, New York, NY 10019	529,770		529,770(7)	6.4

(1) Includes 110,344 shares of common stock held by F.M. Kirby as sole trustee of trusts for the benefit of his children; 526,882 shares held by a trust of which Mr. Kirby is co-trustee and primary beneficiary; and

202,312 shares held by trusts for the benefit of his children

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and his children's descendants as to which Mr. Kirby was granted a proxy and, therefore, had shared voting power. Mr. Kirby disclaims beneficial ownership of the common stock held for the benefit of his children and for the benefit of his children and his children's descendants. Mr. Kirby held 223,346 shares directly.

- (2) Includes 311,768 shares of common stock held by a trust of which Allan P. Kirby, Jr. is co-trustee (with the final right to vote) and beneficiary; and 9,151 shares issuable under stock options granted pursuant to the 2005 Directors' Stock Plan, or the 2005 Directors' Plan, the 2000 Directors' Stock Option Plan, or the 2000 Directors' Plan, and the Amended and Restated Directors' Stock Option Plan, or the 1993 Amended Directors' Plan. Mr. Kirby held 232,139 shares directly, which include 765 shares of restricted common stock or restricted stock units granted pursuant to the 2005 Directors' Plan, as adjusted for stock dividends.
- (3) Includes 43,695 shares of common stock held by Grace Kirby Culbertson as co-trustee of trusts for the benefit of her children; and 171,748 shares held by trusts for the benefit of Mrs. Culbertson and her descendants, of which Mrs. Culbertson is co-trustee. Mrs. Culbertson held 170,853 shares directly.
- (4) Prior to her death in 1996, Ann Kirby Kirby had disclaimed being a controlling person or member of a controlling group with respect to Alleghany, and had declined to supply information with respect to her ownership of common stock. Since her death, the representatives of the estate of Mrs. Kirby have declined to supply information with respect to ownership of common stock by her estate or its beneficiaries; therefore, Alleghany does not know whether her estate or any beneficiary of her estate beneficially owns more than five percent of its common stock. However, Mrs. Kirby filed a statement on Schedule 13D dated April 5, 1982 with the SEC reporting beneficial ownership, both direct and indirect through various trusts, of 710,667 shares of the common stock of Alleghany Corporation, a Maryland corporation and the predecessor of Alleghany, or Old Alleghany. Upon the liquidation of Old Alleghany in December 1986, stockholders received \$43.05 in cash and one share of common stock for each share of Old Alleghany common stock. The stock ownership information provided herein as to the estate of Mrs. Kirby is based solely on her statement on Schedule 13D and does not reflect the two-percent stock dividends paid in each of the years 1985 through 1997 and 1999 through 2008 by Old Alleghany or Alleghany; if Mrs. Kirby, her estate and her beneficiaries had continued to hold in the aggregate the 710,667 shares reported in the Schedule 13D statement filed with the SEC in 1982 together with all stock dividends received in consequence through the date hereof, the beneficial ownership reported herein would have increased by 409,969 shares.

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- (5) According to a Schedule 13G statement dated February 13, 2009 filed jointly by Artisan Partners Limited Partnership, an investment adviser (Artisan Partners), Artisan Investment Corporation, the general partner of Artisan Partners (Artisan Corp.), ZFIC, Inc., the sole stockholder of Artisan Corp. (ZFIC), and Andrew A. Ziegler and Carlene M. Ziegler, the principal stockholders of ZFIC (who, together with Artisan Partners, Artisan Corp. and ZFIC, are referred to herein as Artisan Parties), the Artisan Parties share voting and dispositive power over 510,328 shares of common stock, and share dispositive power over an additional 16,815 shares of common stock. The statement indicated that such shares had been acquired on behalf of discretionary clients of Artisan Partners, persons other than Artisan Partners are entitled to receive all dividends from and proceeds from the sale of such shares, and to the knowledge of the Artisan Parties none of such persons has an economic interest in more than 5% of the class.
- (6) According to an amendment dated January 9, 2009 to a Schedule 13G statement filed by Franklin Mutual Advisers, LLC, or Franklin, Franklin had sole voting power and sole dispositive power over 825,544 shares of common stock. The statement indicated that such shares may be deemed to be beneficially owned by Franklin, an investment advisory subsidiary of Franklin Resources, Inc., or FRI, and that, under Franklin s advisory contracts, all voting and investment power over such shares was granted to Franklin. The statement also indicated that Charles B. Johnson and Rupert H. Johnson, Jr. were the principal shareholders of FRI, but beneficial ownership of the shares reported therein is not attributed to FRI or Messrs. Johnson because Franklin exercises voting and investment powers over such shares independently of FRI and Messrs. Johnson. Franklin disclaimed any economic interest in or beneficial ownership of such shares.
- (7) According to an amendment dated January 23, 2009 to a Schedule 13G statement filed by Royce & Associates, LLC, an investment advisor, Royce & Associates, LLC has sole voting power and sole dispositive power over 529,770 shares of common stock.

ALLEGHANY CORPORATE GOVERNANCE

Board of Directors

Pursuant to Alleghany s Restated Certificate of Incorporation and By-Laws, Alleghany s Board is divided into three separate classes of directors which are required to be as nearly equal in number as practicable. At each Annual Meeting of Stockholders, one class of directors is elected to a term of three years. Alleghany s Board currently consists of ten directors. Currently, there are four standing committees of the Board, consisting of an Audit

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Committee, Compensation Committee, Nominating and Governance Committee and Executive Committee. Additional information regarding these committees is set out below.

The Board held nine meetings in 2008. Each director attended more than 75% of the aggregate number of meetings of the Board and meetings of the committees of the Board on which he served that were held in 2008. There are two regularly scheduled executive sessions for non-management directors of Alleghany and one regularly scheduled executive session for independent directors each year. The independent directors annually designate an independent director to preside at these executive sessions. The independent director designated to preside over such executive sessions during 2008 was James F. Will, and Mr. Will will continue in such role during 2009. Alleghany does not have a policy with regard to attendance by directors at Annual Meetings of Stockholders. Three directors attended the 2008 Annual Meeting of Stockholders.

Director Independence

Pursuant to the New York Stock Exchange's listing standards, Alleghany is required to have a majority of independent directors, and no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with Alleghany. The Board has determined that Rex D. Adams, Dan R. Carmichael, William K. Lavin, Thomas S. Johnson, James F. Will and Raymond L.M. Wong have no material relationship with Alleghany other than in their capacities as members of the Board and committees thereof, and thus are independent directors of Alleghany, based upon the fact that none of such directors has any material relationship with Alleghany either directly or as a partner, shareholder or officer of an organization that has a relationship with Alleghany. As a result, six of Alleghany's current ten directors are independent. Of the four director nominees, Messrs. Carmichael, Lavin and Wong are independent. If Messrs. Carmichael, Lavin and Wong are re-elected, Alleghany will continue to have six independent directors out of ten total directors.

Committees of the Board of Directors

Audit Committee

The current members of the Audit Committee are Messrs. Lavin, Adams, Carmichael and Wong. The Board has determined that each of these members has the qualifications set forth in the New York Stock Exchange's listing standards regarding financial literacy and accounting or related financial management expertise, and is an audit committee financial expert as defined by the SEC. The Board has also determined that each of the members of the

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Audit Committee is independent as defined in the New York Stock Exchange's listing standards. The Audit Committee operates pursuant to a Charter, a copy of which is available on Alleghany's website at www.alleghany.com or may be obtained, without charge, upon written request to the Secretary of Alleghany at Alleghany's principal executive offices. Pursuant to its Charter, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm, including approving in advance all audit services and permissible non-audit services to be provided by the independent registered public accounting firm. The Audit Committee is also directly responsible for the evaluation of such firm's qualifications, performance and independence. The Audit Committee also reviews and makes reports and recommendations to the Board with respect to the following matters:

the audited consolidated annual financial statements of Alleghany and its subsidiaries, including Alleghany's specific disclosures under management's discussion and analysis of financial condition and results of operation and critical accounting policies, to be included in Alleghany's Annual Report on Form 10-K to the SEC and whether to recommend this inclusion,

the unaudited consolidated quarterly financial statements of Alleghany and its subsidiaries, including management's discussion and analysis thereof, to be included in Alleghany's Quarterly Reports on Form 10-Q to the SEC,

Alleghany's policies with respect to risk assessment and risk management,

the adequacy and effectiveness of Alleghany's internal controls and disclosure controls and procedures,

the compensation, activities and performance of Alleghany's internal auditors, and

the quality and acceptability of Alleghany's accounting policies, including critical accounting policies and practices and the estimates and assumptions used by management in the preparation of Alleghany's financial statements.

The Audit Committee held eight meetings in 2008.

Compensation Committee

The current members of the Compensation Committee are Messrs. Carmichael, Lavin and Will, each of whom the Board has determined is independent as defined in the New York Stock Exchange's listing standards. The Compensation Committee operates pursuant to a Charter, a copy of which is available on Alleghany's website at www.alleghany.com or may be obtained, without charge, upon written request to the Secretary of Alleghany at Alleghany's

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principal executive officers. Alleghany's executive compensation program is administered by the Compensation Committee. Pursuant to its Charter, the Compensation Committee is, among other things, charged with:

reviewing and approving the financial goals and objectives relevant to the compensation of the chief executive officer,

evaluating the chief executive officer's performance in light of such goals and objectives, and

determining the chief executive officer's compensation based on such evaluation.

In addition, the Compensation Committee also is responsible for reviewing the annual recommendations of the chief executive officer concerning:

the compensation of the other Alleghany officers and determining such officers' compensation, and

the adjustments proposed to be made to the compensation of the three most highly paid officers of each Alleghany operating subsidiary as recommended by the compensation committee for each such operating subsidiary.

The Compensation Committee provides a report on the actions described above to the Board and makes recommendations with respect to such actions to the Board as the Compensation Committee may deem appropriate. Compensation adjustments and awards are generally made annually by the Compensation Committee at a meeting in December or January.

In addition, the Compensation Committee is responsible for reviewing the compensation of the directors on an annual basis, including compensation for service on committees of the Board, and proposing changes, as appropriate, to the Board. The Compensation Committee also administers Alleghany's 2002 Long-Term Incentive Plan, or the 2002 LTIP, the 2007 Long-Term Incentive Plan, or the 2007 LTIP, and the 2005 Management Incentive Plan, or the 2005 MIP.

Alleghany's Senior Vice President, General Counsel and Secretary, Robert M. Hart, supports the Compensation Committee in its work. In addition, during 2008, the Compensation Committee engaged Grahall Partners, or the Compensation Consultant, as independent outside compensation consultant, to advise it on executive compensation matters. The Compensation Consultant also advised the Compensation Committee and management on various executive compensation matters involving Alleghany's subsidiaries. The Chairman of

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the Compensation Committee reviews and approves all fees Alleghany pays to the Compensation Consultant. The Compensation Committee held five meetings in 2008.

Nominating and Governance Committee

The current members of the Nominating and Governance Committee are Messrs. Adams, Johnson and Will, each of whom the Board has determined is independent as defined in the New York Stock Exchange's listing standards. The Nominating and Governance Committee operates pursuant to a Charter, a copy of which is available on Alleghany's website at www.alleghany.com or may be obtained, without charge, upon written request to the Secretary of Alleghany at Alleghany's principal executive offices. Pursuant to its Charter, the Nominating and Governance Committee is charged with:

identifying and screening director candidates, consistent with criteria approved by the Board,

making recommendations to the Board as to persons to be (i) nominated by the Board for election to the Board by stockholders or (ii) chosen by the Board to fill newly created directorships or vacancies on the Board,

developing and recommending to the Board a set of corporate governance principles applicable to Alleghany, and

overseeing the evaluation of the Board, individual directors and Alleghany's management.

The Nominating and Governance Committee will receive at any time and will consider from time to time suggestions from stockholders as to proposed director candidates. In this regard, a stockholder may submit a recommendation regarding a proposed director nominee in writing to the Nominating and Governance Committee in care of the Secretary of Alleghany at Alleghany's principal executive offices. Any such persons recommended by a stockholder will be evaluated in the same manner as persons identified by the Nominating and Governance Committee. The Nominating and Governance Committee has not identified specific, minimum qualifications for director nominees or any specific qualities or skills that it believes are necessary for one or more of Alleghany's directors to possess. In this regard, the Board seeks members with diverse business and professional backgrounds and outstanding integrity and judgment, and such other skills and experience as will enhance the Board's ability to best serve Alleghany's interests. The Board, similar to the Nominating and Governance Committee, has not approved any specific criteria for nominees for director and believes that establishing such criteria is best left to an evaluation of Alleghany's needs at the time that a nomination is to be considered. In view of the infrequency of vacancies on the Board, the Nominating and

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Governance Committee does not have an established process for identifying and evaluating nominees for director. The Nominating and Governance Committee held four meetings in 2008.

Executive Committee

The current members of the Executive Committee are Allan P. Kirby, Jr., John J. Burns, Jr., Weston M. Hicks and Thomas S. Johnson. The Executive Committee of the Board may exercise certain powers of the Board regarding the management and direction of the business and affairs of Alleghany when the Board is not in session. The Executive Committee reports to the Board on all action it takes, and the Board reviews such action. The Executive Committee held one meeting in 2008.

Communications with Directors

Interested parties may communicate directly with any individual director, the non-management directors as a group or the Board as a whole by mailing such communication to the Secretary of Alleghany at Alleghany's principal executive offices. Any such communications will be delivered unopened:

if addressed to a specific director, to such director,

if addressed to the non-management directors, to the Chairman of the Nominating and Governance Committee who will report thereon to the non-management directors, or

if addressed to the Board, to the Chairman of the Board who will report thereon to the Board.

Director Retirement Policy

Alleghany's retirement policy for directors was adopted by Old Alleghany in 1979 and by Alleghany upon its formation in 1986. In December 2008, the retirement policy was amended to provide that, except in respect of directors serving when the policy was first adopted, a director must retire from the Board at the next Annual Meeting of Stockholders following his or her seventy-second birthday. Messrs. Burns and Allan P. Kirby, Jr. are not subject to this retirement policy because each of them was a director of Old Alleghany in 1979.

Related Party Transactions

The Board has adopted a written Related Party Transaction Policy, or the Policy. Pursuant to the Policy, all related party transactions must be approved in advance by the

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Board. Under the Policy, a related party transaction means any transaction, other than compensation for services as an officer or director authorized and approved by the Compensation Committee or Board, in which Alleghany or any of its subsidiaries is a participant and in which any:

director or officer of Alleghany, or

immediate family member of such director or officer, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and any person (other than a tenant or employee) sharing the household of such director or officer,

has or will have a direct or indirect material interest. A person who has a position or relationship with a firm, corporation or other entity may be deemed to have an indirect interest in any transaction in which that entity engages. However, a person is not deemed to have an interest if such interest arises only from such person's position as a director of another corporation and/or such person's direct and indirect ownership of less than 10% of the equity of such firm, corporation, or other entity.

Under the Policy, all newly proposed related party transactions are referred to the Nominating and Governance Committee for review and consideration of its recommendation to the Board. Following this review, the related party transaction and the Nominating and Governance Committee's analysis and recommendations are presented to the full Board (other than any directors interested in the transaction) for approval. The Nominating and Governance Committee reviews existing related party transactions annually, with the goals of ensuring that such transactions are being pursued in accordance with all of the understandings and commitments made at the time they were approved, ensuring that payments being made with respect to such transactions are appropriately reviewed and documented and reaffirming that such transactions remain in the best interests of Alleghany. The Nominating and Governance Committee reports any such findings to the Board.

Codes of Ethics

Alleghany has adopted a Financial Personnel Code of Ethics for its chief executive officer, chief financial officer, chief accounting officer, vice president for tax matters and all professionals serving in a finance, accounting, treasury or tax role, a Code of Ethics and Business Conduct for its directors, officers and employees, and Corporate Governance Guidelines. Copies of each of these documents are available on Alleghany's website at www.alleghany.com or may be obtained, without charge, upon written request to the Secretary of Alleghany at Alleghany's principal executive offices.

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Majority Election of Directors

Alleghany's By-Laws provide for a majority voting standard for the election of directors for uncontested elections. In connection with such By-Laws provision, Alleghany's Corporate Governance Guidelines provide that a director nominee, as a condition of his or her nomination, shall tender to the Board, at the time of nomination, an irrevocable resignation in the event that the director fails to receive the majority vote required by the By-Laws, effective upon the Board's acceptance of such resignation. In the event that a director nominee fails to receive the requisite majority vote, the Nominating and Governance Committee will evaluate such resignation in light of Alleghany's best interests and make a recommendation to the Board as to whether the Board should accept the resignation. In making its recommendation, the Nominating and Governance Committee may consider any factors it deems relevant, including:

the director's qualifications,

the director's past and expected future contributions to Alleghany,

the overall composition of the Board, and

whether accepting the tendered resignation would cause Alleghany to fail to meet any applicable rule or regulation (including New York Stock Exchange listing standards and federal securities laws).

The Board, by vote of independent directors other than the director whose resignation is being evaluated, will act on the tendered resignation, and publicly disclose its decision and rationale, within 90 days following certification of the stockholder vote.

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Director Stock Ownership Guidelines

Directors are expected to achieve ownership of common stock, or equivalent deferred common stock units, with a value equal to at least five times the annual board retainer within five years of election to the Board, and to maintain such a level thereafter.

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The following table sets forth, as of March 2, 2009, the beneficial ownership of common stock of each of the nominees named for election as a director, each of the other current directors and each of the executive officers named in the Summary Compensation Table on page 42, except for James P. Slattery who retired as Senior Vice President Insurance on July 1, 2008.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership			Percent of Class
	Sole Voting Power and/or Sole Investment Power	Shared Voting Power and/or Shared Investment Power	Total	
John J. Burns, Jr.	75,082		75,082(1)(2)	0.91
Dan R. Carmichael	20,287		20,287(1)(3)	0.24
William K. Lavin	11,242		11,242(1)	0.14
Raymond L.M. Wong	2,833		2,833(1)	0.03
Rex D. Adams	8,703		8,703(1)	0.11
Weston M. Hicks	72,150		72,150(4)	0.87
Thomas S. Johnson	11,759		11,759(1)	0.14
Allan P. Kirby, Jr.	553,058		553,058(5)	6.68
Jefferson W. Kirby	63,160	153,775	216,935(1)(6)	2.62
James F. Will	18,907	1,618	20,525(1)	0.25
Roger B. Gorham	7,407		7,407(7)	0.09
Robert M. Hart	17,822		17,822(8)	0.21
Jerry G. Borrelli	842		842	.01
All nominees, directors and executive officers as a group (13 persons)	863,252	155,393	1,018,645(9)	12.3(10)

(1) Includes 9,151 shares of common stock in the case of Messrs. Johnson, Will, Carmichael and Lavin, 7,190 shares of common stock in the case of Mr. Adams, 1,026 shares of common stock in the case of Messrs. Jefferson W. Kirby and Wong and 506 shares in the case of Mr. Burns, issuable under stock options granted pursuant to the 2005 Directors Plan, the 2000 Directors Plan, and the 1993 Amended Directors Plan. In addition, includes 765 shares of restricted common stock or restricted stock units granted to each of Messrs. Adams, Carmichael, Lavin, Johnson, Jefferson W. Kirby, Will, Wong and 505 shares of restricted common stock granted to Mr. Burns, pursuant to the 2005 Directors Plan.

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- (2) Includes 2,224 shares of common stock held by a trust of which Mr. Burns's wife is sole trustee and 801 shares of common stock owned by Mr. Burns's wife. Mr. Burns had no voting or investment power over these shares, and he disclaims beneficial ownership of them.
- (3) Includes 248 shares of common stock owned by Mr. Carmichael's wife. Mr. Carmichael had no voting or investment power over these shares, and he disclaims beneficial ownership of them.
- (4) Includes 28,153 shares representing a restricted stock award and subsequent stock dividends in respect thereof, which are subject to Mr. Hicks's continuing employment with Alleghany and the achievement of certain performance goals, but does not include any shares that may be paid pursuant to outstanding restricted stock units held by Mr. Hicks.
- (5) See Note (2) on page 2.
- (6) Includes 131,720 shares of common stock held by a trust; such amount reflects Mr. Jefferson W. Kirby's share of such trust as co-trustee and secondary beneficiary. As such shares are held by a trust of which his father, Mr. F.M. Kirby, is a co-trustee and primary beneficiary, such 131,720 shares are also included in the amounts set forth for Mr. F.M. Kirby on page 1. Mr. Jefferson W. Kirby granted a proxy to his father with respect to an additional 22,055 shares held by a trust of which Mr. Jefferson W. Kirby is co-trustee and beneficiary and thus such additional 22,055 shares are included in the amounts set forth for Mr. F.M. Kirby on page 1. Mr. Jefferson W. Kirby held 62,395 shares directly, of which 1,020 shares were held by a limited partnership with Mr. Jefferson W. Kirby exercising sole voting and investment power in respect of such shares.
- (7) Includes 3,858 shares representing a restricted stock award and subsequent stock dividends in respect thereof, which are subject to Mr. Gorham's continuing employment with Alleghany and the achievement of certain performance goals.
- (8) Includes 4,000 shares of common stock held by a trust of which Mr. Hart is sole trustee.
- (9) Includes a total of 3,273 shares of common stock over which certain of the above persons listed had no voting or investment power, as discussed in Notes (2) and (3) above.
- (10) Based on the number of shares of outstanding common stock as of March 2, 2009, adjusted in the case of each director to include shares of common stock issuable within 60 days upon exercise of stock options held by such director.

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Section 16(a) Beneficial Ownership Reporting Compliance

Alleghany has determined that, except as set forth below, no person who at any time during 2008 was a director, officer or beneficial owner of more than 10% of common stock failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act of 1934, as amended, during 2008. This determination is based solely upon Alleghany's review of Forms 3, 4 and 5, and written representations that no Form 5 was required, which such persons submitted to Alleghany during or with respect to 2008. With regard to Ann Kirby Kirby who, prior to her death in 1996, Alleghany believed to be a beneficial owner of more than 10% of common stock based on her Schedule 13D statement filed with the SEC in 1982, Alleghany had not received any reports from Mrs. Kirby regarding changes in her ownership of common stock, and the representatives of the estate of Mrs. Kirby have declined to supply information with respect to ownership of common stock by her estate or beneficiaries. As a result, Alleghany does not know whether her estate or any beneficiary of her estate beneficially owned more than 10% of common stock during 2008 nor whether any such person was required to file reports required by Section 16(a). John J. Burns, Jr. filed a Form 4 report on September 2, 2008 reporting, among other things, three sale transactions for a total of 1,495 shares of common stock in April 2008, all of which were held indirectly by Mr. Burns.

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PROPOSALS REQUIRING YOUR VOTE

Proposal 1. Election of Directors

John J. Burns, Jr., Dan R. Carmichael, William K. Lavin and Raymond L.M. Wong have been nominated by the Board for election as directors at the 2009 Annual Meeting, each to serve for a term of three years, until the 2012 Annual Meeting of Stockholders and until his successor is duly elected and qualified. Messrs. Burns, Carmichael, Lavin and Wong were last elected by stockholders at the 2006 Annual Meeting of Stockholders held on April 28, 2006.

Proxies in the enclosed form received from Alleghany stockholders of record will be voted for the election of the four nominees named above as Alleghany directors unless such stockholders indicate otherwise. If any of the foregoing nominees is unable to serve for any reason, which is not anticipated, the shares represented by the enclosed proxy may be voted for such other person or persons as may be determined by the holders of such proxy unless stockholders indicate otherwise. A nominee for director shall be elected to the Board if such nominee receives the affirmative vote of a majority of the votes cast with respect to the election of such nominee.

The following information includes the age, the year in which first elected as a director of Alleghany or Old Alleghany, the principal occupation (in italics), and other public company directorships of each of the nominees named for election as director, and of the other current directors of Alleghany whose terms will not expire until 2010 or 2011.

Nominee for Election: John J.
Burns, Jr.
Age 77
Director since 1968
Term expires in 2009

*Chairman of the Board, Alleghany Corporation;
Member of the Executive Committee.*

Nominee for Election: Dan R.
Carmichael Age 64
Director since 1993
Term expires in 2009

*Retired President and Chief Executive Officer,
Ohio Casualty Corporation (property and
casualty insurance); Chairman of the Board and
director, Platinum Underwriters Holdings, Ltd.
Chairman of the Compensation Committee and
member of the Audit Committee.*

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Nominee for Election: William
K. Lavin Age 64
Director since 1992
Term expires in 2009

Financial Consultant; director, American Home Food Products, Inc. Chairman of the Audit Committee and member of the Compensation Committee.

Nominee for Election:
Raymond L.M. Wong Age 56
Director since 2006
Term expires in 2009

Managing Director, Spring Mountain Capital, LP (investment management); Member of the Audit Committee.

Allan P. Kirby, Jr.
Age 77
Director since 1963
Term expires in 2010

President, Liberty Square, Inc. (investments management of family and personal affairs); Chairman of the Executive Committee.

James F. Will
Age 70
Director since 1992
Term expires in 2010

Vice Chancellor and President Emeritus, Saint Vincent College (education); Member of the Compensation and Nominating and Governance Committees.

Thomas S. Johnson
Age 68
Director since 1997
and for 1992-1993
Term expires in 2010

Retired Chairman and Chief Executive Officer, GreenPoint Financial Corp. and its subsidiary GreenPoint Bank (banking); director, R.R. Donnelley & Sons Company and The Phoenix Companies, Inc. Member of the Executive and Nominating and Governance Committees.

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Rex D. Adams
Age 69
Director since 1999
Term expires in 2011

Director and Chairman of the Board, Invesco Ltd. (investment management); Dean Emeritus, Fuqua School of Business at Duke University; trustee, Committee for Economic Development and Woods Hole Oceanographic Institution. Chairman of the Nominating and Governance Committee and member of the Audit Committee.

Weston M. Hicks
Age 52
Director since 2004
Term expires in 2011

President and chief executive officer, Alleghany Corporation; director, AllianceBernstein Corporation. Member of the Executive Committee.

Jefferson W. Kirby
Age 47
Director since 2006
Term expires in 2011

Managing Member, Broadfield Capital Management, LLC (investment advisory services); director, Somerset Hills Bancorp.

All of the persons above have had the principal occupations indicated throughout the last five years, except as follows: Mr. Burns was named Chairman of the Board on January 1, 2007. From December 30, 2004 until January 1, 2007, he was Vice Chairman of the Board and served as a non-executive employee of Alleghany assisting the President and chief executive officer on investment matters. Mr. Burns was President and chief executive officer of Alleghany until his retirement on December 30, 2004. Mr. Carmichael was a consultant to Liberty Mutual Agency Markets (property and casualty insurance) from August 2007 until October 2008. He was President and Chief Executive Officer of Ohio Casualty Corporation (property and casualty insurance) until his retirement on August 24, 2007. Mr. Wong became a Managing Director of Spring Mountain Capital, LP in June 2007; prior thereto, he was the Managing Member of DeFee Lee Pond Capital LLC (financial advisory and consulting services). Mr. Will was the President of Saint Vincent College until his retirement in June 2006, at which time he was named Vice Chancellor and President Emeritus of Saint Vincent College. Mr. Johnson was Chairman and Chief Executive Officer of GreenPoint Financial Corp. and its subsidiary GreenPoint Bank until his retirement on December 31,

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2004. Mr. Adams was named Chairman of the Board of Directors of Invesco Ltd. (formerly AMVESCAP PLC) on April 27, 2006; prior thereto, he was a director of Invesco Ltd. Mr. Adams has been Dean Emeritus at the Fuqua School of Business at Duke University since December 4, 2004; he was a Professor of Business Administration at the Fuqua School of Business prior thereto. Mr. Hicks was appointed President and chief executive officer of Alleghany effective December 31, 2004; prior thereto, he was Executive Vice President of Alleghany.

Mr. Allan P. Kirby, Jr. is the uncle of Mr. Jefferson W. Kirby.

COMPENSATION OF DIRECTORS

The information under this heading relates to the compensation during 2008 of those persons who served as directors of Alleghany at any time during 2008, except for Weston M. Hicks, whose compensation is reflected in the Summary Compensation Table on page 42.

2008 Director Compensation

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (2)	Change in Pension Value and Nonqualified Deferred Compensation		All Other Compensation(3)	Total
				Non-Equity Incentive Plan Compensation	Earnings		
Rex D. Adams	\$ 65,000	\$ 88,221	\$ 62,105				\$ 215,326
John J. Burns, Jr.	\$ 400,000	\$ 88,221	\$ 38,371			\$ 23,600	\$ 550,192
Dan R. Carmichael	\$ 67,500	\$ 88,221	\$ 62,105				\$ 217,826
Thomas S. Johnson	\$ 52,500	\$ 88,221	\$ 62,105				\$ 202,826
Allan P. Kirby, Jr.	\$ 63,000	\$ 88,221	\$ 62,105				\$ 213,326
Jefferson W. Kirby	\$ 38,000	\$ 88,221	\$ 56,919				\$ 183,140
William K. Lavin	\$ 78,000	\$ 88,221	\$ 62,105				\$ 228,326
James F. Will	\$ 55,000	\$ 88,221	\$ 62,105				\$ 205,326
Raymond L.M. Wong	\$ 53,000	\$ 88,221	\$ 56,919				\$ 198,140

(1) Represents the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2008 in accordance with Statement of Financial Accounting Standards No. 123R, Share-based Payments, or SFAS 123R, of restricted stock and

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restricted stock units outstanding under the 2005 Directors Plan. See Note 10 to the consolidated financial statements of Alleghany contained in its Annual Report on Form 10-K for the year ended December 31, 2008 for assumptions underlying the valuation of stock-based awards. The full grant date fair value of the restricted stock award of 250 shares of common stock or 250 restricted stock units, each equivalent to a share of common stock, made to each non-employee director on April 28, 2008, computed in accordance with SFAS 123R, is \$87,109. At December 31, 2008, each of Messrs. Adams, Carmichael, Johnson, Allan P. Kirby, Jr., Jefferson W. Kirby, Lavin, Will and Wong held 765 shares of restricted common stock and/or restricted stock units and Mr. Burns held 505 shares of restricted common stock.

- (2) Represents the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2008 in accordance with SFAS 123R of options outstanding. See Note 10 to the consolidated financial statements of Alleghany contained in its Annual Report on Form 10-K for the year ended December 31, 2008 for assumptions underlying valuation of stock-based awards. The full grant date fair value of the stock option for 500 shares of common stock made to each non-employee director on April 28, 2008, computed in accordance with SFAS 123R is \$68,383. At December 31, 2008, the aggregate number of stock options outstanding was 9,655 for each of Messrs Carmichael, Johnson, Allan P. Kirby, Jr., Lavin and Will, 7,693 for Mr. Adams, 1,530 for each of Messrs. Jefferson W. Kirby and Wong, and 1,010 for Mr. Burns.
- (3) Reflects a payment of \$14,231, representing the dollar value of the insurance premiums paid by Alleghany for the benefit of Mr. Burns for life insurance maintained on his behalf pursuant to Alleghany's life insurance program in which retired Alleghany officers are eligible to participate, and a payment of \$9,369, representing the reimbursement of taxes, and the reimbursement itself, on income imputed to Mr. Burns pursuant to such life insurance program.

Fees Earned or Paid in Cash

Each director who is not an Alleghany officer or serving as Chairman of the Board (whose fees are described below) receives an annual retainer of \$30,000, payable in cash, as well as \$1,000 for each board meeting attended in person and \$500 for each telephone conference meeting attended. The Chairman of the Executive Committee receives an annual fee of \$25,000, and each other member who is not an Alleghany officer receives an annual fee of \$7,500. The Chairman of the Audit Committee receives an annual fee of \$30,000, and each other member receives an annual fee of \$15,000. The Chairman of the Compensation Committee receives an annual fee of \$15,000, and each other member receives an annual fee

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of \$10,000. The Chairman of the Nominating and Governance Committee receives an annual fee of \$12,000 and each other member receives an annual fee of \$7,000.

Stock Awards and Option Awards

Pursuant to the 2005 Directors' Plan, each year as of the first business day following the Annual Meeting of Stockholders, each individual who was elected, re-elected or continues as a member of the Board and who is not an employee of Alleghany or any of its subsidiaries receives:

a stock option to purchase 500 shares of Alleghany common stock, subject to anti-dilution adjustments, at an exercise price equal to the fair market value on the date of grant; and

upon a director's election either (i) 250 shares of restricted common stock or (ii) 250 restricted stock units, each equivalent to a share of common stock, which are subject to potential forfeiture until the first Annual Meeting of Stockholders following the date of grant, and restrictions upon transfer until the third anniversary of the date of grant.

On April 28, 2008, each eligible director received a stock option to purchase 500 shares of common stock at an exercise price of \$348.44 per share and either 250 shares of restricted common stock or 250 restricted stock units. Each director is permitted to defer payment of the restricted stock units, and all whole restricted stock units will be paid in the form of whole shares of common stock.

Arrangements with the Chairman of the Board

For his service as Chairman of the Board and a director, Mr. Burns receives an annual retainer of \$400,000 from Alleghany. In addition, Mr. Burns is eligible for awards under the 2005 Directors' Stock Plan but does not receive meeting or other director fees. In 2004, Alleghany established an office in New Canaan, Connecticut which Mr. Burns uses as his principal office for purposes of attending to Alleghany-related matters, and which was used regularly by another officer of Alleghany for Alleghany-related matters through June 30, 2008. As Mr. Burns also uses this office to attend to personal matters, Mr. Burns reimburses Alleghany for twenty-five percent of the annual rent and operating costs for this office, amounting to approximately \$38,300 per year.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH OF THE NOMINEES TO THE BOARD OF DIRECTORS SET FORTH IN THIS PROPOSAL 1. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE. EACH NOMINEE SHALL BE ELECTED BY THE AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST WITH RESPECT TO THE ELECTION OF SUCH NOMINEE.

Table of Contents**Proposal 2. Ratification of Selection of
Independent Registered Public Accounting Firm for the year 2009**

The Audit Committee has selected KPMG LLP as Alleghany's independent registered public accounting firm for the year 2009. Alleghany will submit a proposal to stockholders at the 2009 Annual Meeting for ratification of this selection. Although ratification by stockholders is not a prerequisite to the ability of the Audit Committee to select KPMG LLP as Alleghany's independent registered public accounting firm, the Audit Committee and the Board believe that such ratification is desirable. If stockholders do not ratify the selection of KPMG LLP, the Audit Committee will reconsider its selection of an independent registered public accounting firm. The Audit Committee may, however, select KPMG LLP notwithstanding the failure of stockholders to ratify its selection.

KPMG LLP was Old Alleghany's independent auditors from 1947 until its liquidation in 1986 and has been Alleghany's independent auditors since its incorporation in November 1984. Alleghany expects that a representative of KPMG LLP will be present at the 2009 Annual Meeting, will have an opportunity to make a statement if he desires to do so and will be available to respond to appropriate questions.

The following table summarizes the fees for professional audit services rendered by KPMG LLP for the audit of Alleghany's annual consolidated financial statements, and fees KPMG LLP billed for other services rendered to Alleghany, for 2008 and 2007:

	2008	2007
Audit Fees	\$ 2,653,717	\$ 2,884,027
Audit-Related Fees	11,100	76,400
Tax Fees		
All Other Fees	1,500	1,500
Total	\$ 2,666,317	\$ 2,961,927

The amounts shown for Audit Fees represent the aggregate fees for professional services KPMG LLP rendered for the audit of Alleghany's annual consolidated financial statements for each of the last two fiscal years, the reviews of Alleghany's financial statements included in its Quarterly Reports on Form 10-Q, and the services provided in connection with statutory and regulatory filings during each of the last two fiscal years. Audit Fees also include fees for professional services KPMG LLP rendered for the audit of the effectiveness of internal control over financial reporting. The amounts shown for Audit-Related Fees represent the aggregate fees KPMG LLP billed for each of the last two fiscal years for assurance and related services that are reasonably related to the performance of the audit or

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review of Alleghany's financial statements and that are not reported under Audit Fees. These services include due diligence assistance in connection with acquisitions, the consents for registration statements, consultations on accounting and audit matters, and review of certain subsidiary material contracts. The amount shown for All Other Fees in 2008 and 2007 represents the aggregate fees KPMG LLP billed for each of the last two fiscal years for access to its electronic database for accounting research.

Audit and permissible non-audit services that KPMG LLP may provide to Alleghany must be pre-approved by the Audit Committee or, between meetings of the Audit Committee, by its Chairman pursuant to authority delegated by the Audit Committee. The Chairman reports all pre-approval decisions made by him at the next meeting of the Audit Committee, and he has undertaken to confer with the Audit Committee to the extent that any engagement for which his pre-approval is sought is expected to generate fees for KPMG LLP in excess of \$100,000. When considering KPMG LLP's independence, the Audit Committee considered, among other matters, whether KPMG LLP's provision of non-audit services to Alleghany is compatible with maintaining the independence of KPMG LLP. All audit and permissible non-audit services rendered in 2008 and 2007 were pre-approved pursuant to these procedures.

THE BOARD RECOMMENDS A VOTE FOR THIS PROPOSAL. PROXIES SOLICITED BY THE BOARD WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE. THE PROPOSAL SHALL BE ADOPTED BY THE AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST WITH RESPECT TO THIS PROPOSAL.

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Audit Committee Report

The Audit Committee is currently composed of the four independent directors whose names appear at the end of this report. Management is responsible for Alleghany's internal controls and the financial reporting process. Alleghany's independent registered public accounting firm is responsible for performing an independent audit of Alleghany's annual consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee's responsibility is to monitor and review these processes and the activities of Alleghany's independent registered public accounting firm. The Audit Committee members are not acting as professional accountants or auditors, and their responsibilities are not intended to duplicate or certify the activities of management and the independent registered public accounting firm or to certify the independence of the independent registered public accounting firm under applicable rules.

In this context, the Audit Committee has met to review and discuss Alleghany's audited consolidated financial statements as of December 31, 2008 and for the fiscal year then ended, including Alleghany's specific disclosure under management's discussion and analysis of financial condition and results of operations and critical accounting policies, with management and KPMG LLP, Alleghany's independent registered public accounting firm. The Audit Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 114, "The Auditor's Communications with Those Charged with Governance" and Statement on Auditing Standards No. 112,

Communicating Internal Control Related Matters Identified in an Audit" both as issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. KPMG LLP reported to the Audit Committee regarding the critical accounting policies and practices and the estimates and assumptions used by management in the preparation of the audited consolidated financial statements as of December 31, 2008 and for the fiscal year then ended, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of use of such alternative treatments and the treatment preferred by KPMG LLP.

KPMG LLP provided a report to the Audit Committee describing KPMG LLP's internal quality-control procedures and related matters. KPMG LLP also provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence, and the Audit Committee discussed with KPMG LLP its independence. When considering KPMG LLP's independence, the Audit Committee considered, among other matters, whether KPMG LLP's provision of non-audit services to Alleghany is compatible with maintaining the independence of KPMG LLP. All

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audit and permissible non-audit services in 2007 and 2008 were pre-approved pursuant to these procedures.

Based on the reviews and discussions with management and KPMG LLP referred to above, the Audit Committee has recommended to the Board that the audited consolidated financial statements as of December 31, 2008 and for the fiscal year then ended be included in Alleghany's Annual Report on Form 10-K for such fiscal year. The Audit Committee also selected KPMG LLP as Alleghany's independent registered public accounting firm for the year 2009, subject to stockholder ratification.

William K. Lavin
Rex D. Adams
Dan R. Carmichael
Raymond L.M. Wong

*Audit Committee
of the Board of Directors*

Table of Contents**All Other Matters That May Come Before The
2009 Annual Meeting**

As of the date of this proxy statement, the Board knows of no business that will be presented for consideration at the 2009 Annual Meeting other than that referred to above. As to other business, if any, that may come before the 2009 Annual Meeting, proxies in the enclosed form will be voted in accordance with the judgment of the person or persons voting the proxies.

EXECUTIVE OFFICERS

The name, age, current position, date elected and five-year business history of each of Alleghany's executive officers is as follows:

Name	Age	Current Position (date elected)	Business Experience During Last 5 Years
Weston M. Hicks	52	President, chief executive officer (since December 2004)	Executive Vice President, Alleghany (from October 2002 to December 2004).
Roger B. Gorham	46	Senior Vice President Finance and Investments and chief financial officer (since January 2006)	Senior Vice President Finance and chief financial officer, Alleghany (from May 2005 to January 2006); Senior Vice President Finance, Alleghany (from December 2004 to May 2005); provider of hedge fund consulting services (from December 2003 to December 2004).
Robert M. Hart	64	Senior Vice President, General Counsel (since 1994) and Secretary (since 1995)	Senior Vice President, General Counsel and Secretary, Alleghany.
Jerry G. Borrelli	43	Vice President Finance and chief accounting officer (since July 2006)	Vice President Finance, Alleghany (from February 2006); Director of Financial Reporting, American International Group, Inc. (insurance) (from June 2003).

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has met to review and discuss with Alleghany's management the specific disclosure contained under the heading "Compensation Discussion and Analysis" appearing on pages 27 through 57 below. Based on its review and discussions with management regarding such disclosure, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in Alleghany's Annual Report on Form 10-K for the year ended December 31, 2008.

Dan R. Carmichael
William K. Lavin
James F. Will

*Compensation Committee
of the Board of Directors*

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**COMPENSATION DISCUSSION AND ANALYSIS
AND COMPENSATION MATTERS**

Compensation Philosophy and General Description

We are managed by a small professional staff, including the President, two Senior Vice Presidents and six Vice Presidents. Our executive compensation program is administered by the Compensation Committee which is composed entirely of independent directors. The Compensation Committee reviews and approves annually all compensation decisions relating to our officers, including Messrs. Hicks, Gorham, Hart, Borrelli, and formerly James P. Slattery, our Senior Vice President Insurance until July 2008, each of whom are named in the Summary Compensation Table, or Named Executive Officers. Compensation adjustments and awards are made annually by the Compensation Committee at a meeting in December or January. Alleghany's Senior Vice President, General Counsel and Secretary, Robert M. Hart, supports the Compensation Committee in its work. In addition, the Compensation Committee has retained the Compensation Consultant to assist the Compensation Committee in its review of executive and director compensation practices, including the competitiveness of Alleghany executive salaries, executive compensation design matters, market trends and technical considerations. The nature and scope of services that the Compensation Consultant provides to the Compensation Committee include: competitive market compensation analyses, assistance with the redesign of any compensation or benefit programs as necessary or requested, assistance with respect to analyzing the impact of regulatory and/or accounting developments on Alleghany compensation plans and programs, and preparation for and attendance at selected Compensation Committee meetings. The Compensation Consultant also advises the Compensation Committee and management on various executive compensation matters involving Alleghany's subsidiaries. The Chairman of the Compensation Committee reviews and approves all services provided by the Compensation Consultant and fees Alleghany pays to the Compensation Consultant.

Our corporate objective is to create stockholder value through the ownership and management of a small group of operating subsidiaries and investments, anchored by a core position in property and casualty insurance. In this regard, we seek to increase book value per share at double digit rates over the long term without employing excessive amounts of financial leverage or taking undue amounts of operating risk. The intent of our executive compensation program is to provide competitive total compensation to the Named Executive Officers on a basis, as discussed below, that links their interests with the interests of our stockholders in creating and preserving stockholder value.

In evaluating our executive compensation program, the Compensation Committee has been advised from time to time by the Compensation Consultant as to the compensation levels of other companies, including companies much larger than ours, that might compete with us for executive talent. Competitive market data has been periodically developed by the

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Compensation Consultant from several different sources, including proxy statements of companies similar to us in industry, scope or size and various published compensation survey sources. We do not seek to set our executive compensation to any benchmarks or peer group but use the competitive market data to provide insights into our compensation levels, mix and strategies. Our senior officers have all been recruited in mid-career, and our compensation must be reasonably competitive with that of their former employers. However, we do not seek to compete for executive talent solely on the basis of compensation. Rather, we also compete by offering a unique professional opportunity to work in a high integrity environment where the focus is on building long-term stockholder value.

Although we do not have a policy with regard to targeting that a specified percentage of the Named Executive Officers' compensation be performance-based, in general, our objective is that a significant portion of the Named Executive Officers' compensation be tied to Alleghany's financial performance. Although our compensation is intended to be largely performance-based, we do not seek to incentivize performance by employing excessive amounts of financial leverage or taking undue amounts of operating risk. Thus, annual cash incentive compensation under the 2005 MIP and long-term equity-based incentives under the 2002 LTIP and 2007 LTIP are capped at a maximum payout once a certain level of financial performance is attained. Finally, we do not grant stock options to our officers. Our goal is to promote management action aimed at growing the intrinsic value of our common stock and not just its market price. We believe that over time intrinsic value should be reflected in the market price of our common stock.

The components of compensation paid to the Named Executive Officers in respect of 2008 consisted principally of:

- salaries,
- 2008 bonuses,
- annual grants of long-term equity-based incentives,
- retirement benefits, and
- savings benefits under our Deferred Compensation Plan.

In determining Mr. Hicks' 2008 compensation, the Compensation Committee reviewed Mr. Hicks' 2007 and 2008 performance, as well as all components of Mr. Hicks' 2007 compensation, including annual salary, annual cash bonus under the 2005 MIP, long-term incentive compensation under the 2002 LTIP, values of previous awards of restricted stock, benefits under Alleghany's Deferred Compensation Plan, Retirement Plan and the medical, long-term disability and other employee welfare plans, and the dollar value to Mr. Hicks and cost to Alleghany of all perquisites and other personal benefits.

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Components of Compensation

Set out below in more detail is a description and analysis of the components of our compensation program.

Salary

We seek to pay salaries that are sufficiently competitive to attract and retain executive talent. The Compensation Committee generally makes salary adjustments annually, in consultation with the Compensation Consultant, based on salaries for the prior year, general inflation, individual performance and internal comparability considerations. 2009 salaries for the President and two Senior Vice Presidents were not changed from 2008. Mr. Borrelli received a salary increase of 3%.

Annual Cash Incentive Compensation

We generally pay annual cash incentives to the Named Executive Officers under the 2005 MIP. As discussed below, no cash incentives were earned in respect of the 2008 awards under the 2005 MIP. However, for the reasons discussed below, the Compensation Committee determined to make supplemental annual incentive payments for 2008, or the 2008 Bonuses, to the Named Executive Officers in the amounts set forth under the Bonus column in the Summary Compensation Table on page 42, and the Board of Directors approved the 2008 Bonuses.

2008 Awards under the 2005 MIP

Target annual incentive awards under the 2005 MIP are stated as a percentage of each Named Executive Officer's base salary. Target annual incentive awards in respect of performance for 2008 were made by the Compensation Committee on January 14, 2008, and target bonus opportunities were 100% of salary for Mr. Hicks, 60% of salary for each of Messrs. Gorham, Hart and Slattery and 40% for Mr. Borrelli. Maximum incentive opportunities for 2008 were 150% of target awards. The differing target awards as a percentage of salary reflect the Compensation Committee's determinations of appropriate levels and mix of compensation components taking into account competitive considerations, varying levels of responsibility within Alleghany, internal comparability and the implicit impact of the various Named Executive Officer levels on the accomplishment of our financial, strategic and operational objectives. Payout of 2008 awards under the 2005 MIP is tied to the achievement of specified financial performance objectives subject to reduction in respect of individual performance goals for Named Executive Officers.

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The 2008 financial performance goal established by the Compensation Committee for annual incentive awards was based on Adjusted Earnings Per Share as compared with Target Plan Earnings Per Share.

Target Plan Earnings Per Share means earnings per share of our common stock as set forth in the strategic plan approved by our Board for the relevant year, adjusted to exclude the amount of catastrophe losses of our subsidiary RSUI Group, Inc. (RSUI) reflected in such plan.

Adjusted Earnings Per Share means the earnings per share as reported in our audited financial statements for the relevant year, adjusted to exclude the amount of RSUI catastrophe losses and realized gains and losses on strategic investments in that year as reflected in our financial statements and adjusted for any stock dividends paid during the year.

The adjustment relating to the impact of catastrophe losses acknowledges that Alleghany is a significant writer of catastrophe exposed property insurance and that management cannot predict the occurrence and severity of catastrophe losses in any year. The adjustment relating to realized gains and losses on strategic investments acknowledges that Alleghany has had significant unrealized gains on its strategic investment in Burlington Northern Santa Fe Corporation and that the strategic plan did not forecast when, or whether, such gains would be realized. Thus, the annual incentive financial performance goal measures management's operational performance during the year against Alleghany's operating plan. Since our long-term incentive awards are based upon growth in book value per share, the economic impact of catastrophe losses and gains and losses on strategic investments is fully reflected in the long-term incentives.

Target bonus opportunities for 2008 awards under the 2005 MIP were to be earned if Adjusted Earnings Per Share were equal to Target Plan Earnings Per Share. For any amounts to be earned, Adjusted Earnings Per Share were required to exceed 80% of Target Plan Earnings Per Share, and maximum bonus opportunities were to be earned if Adjusted Earnings Per Share were 110% of Target Plan Earnings Per Share. Alleghany's Target Plan Earnings Per Share for 2008 were \$23.02 per share and Adjusted Earnings Per Share for 2008 were \$11.47 per share, or less than 80% of Target Plan Earnings Per Share for 2008. Thus, no payout of 2008 awards under the 2005 MIP was earned.

The principal reason for the failure to meet the 2008 Adjusted Earnings Per Share goal was \$19.07 per share of charges for other than temporary impairment (OTTI) of equity securities owned by Alleghany and its subsidiaries. OTTI accounting policies are largely mechanical and require an investor to deem an equity investment to be impaired if, among other things, its market price has declined from its purchase price for a period of 12 months or if its decline in market price from its purchase price is greater than 50%, and to incur a

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realized loss in its financial statements in the amount of the unrealized loss regardless of whether an investor continues to hold the security.

2008 Bonuses

Based upon the Compensation Committee's evaluation of Alleghany's 2008 performance and other considerations described below, the Compensation Committee at its meeting on February 26, 2009 determined to authorize the 2008 Bonuses. The Compensation Committee authorized the 2008 Bonuses for each Named Executive Officer in the amount set forth in the Bonus column of the Summary Compensation Table on page 42.

In determining to authorize the 2008 Bonuses, the Compensation Committee considered a number of economic, performance and other factors, including the following:

Alleghany's common stockholders' equity decreased 5% from December 31, 2007 to December 31, 2008, compared with one-year declines in the S&P 500 Index and the S&P Property & Casualty Insurance Index of 37.0% and 29.5%, respectively;

Alleghany's compound growth in book value was 8% over the last five years, compared with a compound annual return of (2.2)% for the S&P 500 Index;

the favorable sale of Alleghany's 55% interest in Darwin Professional Underwriters, Inc. during 2008;

management's success in reducing RSUI's risk profile, as evidenced by RSUI's exceptional performance during the 2008 hurricane season;

excluding the 2008 OTTI charges would result in Adjusted Earnings Per share for 2008 of \$30.54 per share, exceeding 110% of Target Plan Earnings Per Share for 2008;

the OTTI accounting rules, being largely mechanical and short-term oriented, require charges to income for declines in market price existing for 12 months or declines in market price of greater than 50%, while an investor, like Alleghany, investing with a 3-5 year horizon, may still anticipate a profitable outcome;

OTTI charges do not affect stockholders' equity, since all of Alleghany's securities are marked to market and already reflected in stockholders' equity;

the Compensation Committee had not considered the potential of OTTI charges in setting the performance measures for 2008 awards under the 2005 MIP; and

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the payout of performance shares awarded to Alleghany's executives is based upon compound annual growth in stockholders' equity over their respective award periods and, thus, is fully impacted by declines in market values of Alleghany's investments.

Finally, the Compensation Committee considered the overall compensation components of the Named Executive Officers and the estimated tax cost to Alleghany of approximately \$446,000 for paying a 2008 Bonus to Mr. Hicks that would not be tax deductible pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The Compensation Committee's decision to pay the 2008 Bonuses to the Named Executive Officers was approved by the Alleghany Board, with Mr. Hicks abstaining, at its meeting on February 26, 2009.

Long-Term Equity Based Incentive Compensation

2008 Awards

We pay long-term incentive compensation to the Named Executive Officers under our 2002 LTIP and 2007 LTIP, the provisions of which are essentially the same. The 2002 LTIP expired on December 31, 2006 and in December 2006, the Board adopted the 2007 LTIP which was approved by our stockholders at their 2007 Annual Meeting. Historically, long-term incentive awards have been in the form of performance shares and, in a few cases, performance-based restricted stock, and have been structured to qualify as performance-based for purposes of Section 162(m) of the Code. For the 2008-2011 award period, the Compensation Committee based the number of performance shares awarded to the Named Executive Officers upon a percentage of such executive officer's 2008 salary divided by the average closing price of our common stock for the 30-day period prior to the mailing of material for the meeting of the Compensation Committee at which such awards were made. Such percentages of 2008 salary were 200% for Mr. Hicks, 120% for each of Messrs. Gorham, Hart and Slattery and 60% for Mr. Borrelli. The differing target awards as a percentage of salary reflect the Compensation Committee's determinations of appropriate levels and mix of compensation components taking into account competitive considerations, varying levels of responsibility within Alleghany, internal comparability and the implicit impact of the various Named Executive Officer levels on the accomplishment of our financial, strategic and operational objectives.

The performance shares awarded for the 2008-2011 award period, or the 2008 Awards, entitle the holder thereof to payouts in cash and/or common stock, in such proportion as is determined by the Compensation Committee, up to a maximum amount equal to the value of one and one-half shares of common stock on the payout date for each performance share

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awarded. The Compensation Committee determines payouts with respect to such performance shares as follows:

maximum payouts will be made only if average annual compound growth in our Book Value Per Share (as defined by the Compensation Committee pursuant to the 2007 LTIP) equals or exceeds 10.5% as measured from a specified base equal to stockholders' equity per share at December 31, 2007 as reported in the Annual Report on Form 10-K for the year ended December 31, 2007, or \$302.67 per share, as adjusted for stock dividends in the 2008-2011 award period,

target payouts will be made at 100% if such growth equals 7%,

no payouts will be made if such growth is less than 3.5%, and

payouts for growth between 3.5% and 10.5% will be determined by straight line interpolation.

Long-term incentive awards under the 2002 LTIP and 2007 LTIP, including awards for the award period beginning January 1, 2008, are intended to promote accomplishment of our stated principal financial objective to grow Alleghany's book value per share of common stock at double digit rates over the long-term without employing excessive amounts of financial leverage or taking undue amounts of operating risk. In setting payout levels for LTIP compensation, the Compensation Committee takes into account such stated principal financial objective. The Compensation Committee determined the 7% target growth requirement based on the economic conditions at the time of award, taking into account the average risk free return of the 10-year U.S. Treasury for the preceding year of approximately 4.7% and prevailing equity risk premiums adjusted for Alleghany's estimated stock volatility relative to the stock market as reported by Value Line. The Compensation Committee determined that these considerations indicated a stock market expectation that an investment in common stock of a company with Alleghany's estimated volatility would provide an annual return of approximately 7%. Since market prices for our common stock tend to reflect, over time, growth in book value, the Compensation Committee determined that a target 7% compound growth in book value per share performance requirement was consistent with capital market expectations and appropriate for Alleghany's risk profile and capital structure. At the same time, consistent with our principal financial objective to seek superior risk-adjusted growth in book value, the Compensation Committee determined that, based upon Alleghany's risk profile and capital structure, growth in book value of 10.5% or higher would be superior performance. Thus, the growth requirements were intended to support Alleghany's growth/risk management goals by incenting double digit growth in book value but not incenting excessive risk taking that may be associated with higher growth goals.

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2009 Awards

The awards for the four-year period beginning January 1, 2008 did not reflect consideration of the looming global economic recession and global financial collapse, the decline in 10-year U.S. Treasury rates to about 2.2% in December 2008, and the potential uncertainty of a protracted period of economic depression and deflation, possibly followed by a period of high inflation. With the 2008 decline in stockholders' equity of 5%, average annual compound growth in stockholders' equity of about 10% will be required over the three years 2009-2011 in order to achieve a target payout of the 2008 Awards.

The Compensation Committee has broad authority to reduce payouts of performance shares but, except for dilution and other adjustments required by the 2002 LTIP and 2007 LTIP, as discussed below under Tax Considerations, the Compensation Committee does not have the authority to adjust performance measures for the outstanding performance share awards for award periods beginning January 1, 2006, 2007 and 2008 in a manner that would increase payouts.

However, in making awards for the 2009-2012 period, the Compensation Committee at its meeting on January 19, 2009 took account of current economic conditions and uncertainties and considered appropriate adjustments in respect thereof. As in the case of 2008 Awards, the Compensation Committee based the number of performance shares awards to the Named Executive Officers upon the percentages set forth above of such executive's 2009 salary divided by the average closing price of our stock for the 30-day period prior to the mailing of materials for the Compensation Committee's meeting. In this regard, taking into account the prevailing 10-year U.S. Treasury rates and prevailing equity risk premiums adjusted for Alleghany's estimated stock volatility relative to the market, the 2009-2012 awards provide for:

a maximum payout at 150% of the value of one share of common stock on the payout date for average annual compound growth in our Book Value Per Share of 7.5% or more over the four-year award period 2009-2012, as adjusted for stock dividends and as adjusted for performance relative to the S&P 500 Index (as discussed below),

target payouts at 100% if such growth equals 5%, payouts at 50% if such growth equals 3.25%, payouts at 30% if such growth equals 2.5%, payouts for growth between the foregoing levels to be determined by straight line interpolation,

and no payouts if such growth is less than 2.5%.

Provided that the average compound annual growth in stockholders' equity for the 2009-2012 period, as adjusted for stock dividends, is positive, it will be adjusted to include the

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excess, if any, of such annual compound growth over the Total Return on the S&P 500 Index (whether positive or negative and as calculated by Bloomberg Finance) for such period. In setting the 2009-2012 performance share awards, the Compensation Committee considered that the awards should be appropriately adjusted for relative protection of stockholder value during periods of unusual financial market turmoil and should avoid incenting excess risk taking in trying to catch up with an impaired performance formula. To the extent that the Total Return on the S&P 500 Index over a four-year period measures the U.S. earnings environment, growth in Alleghany's book value per share at a greater rate may be considered a measure of Alleghany's performance in preserving stockholder value. Since performance share awards are capped and tied to stock price, the Compensation Committee considered that the relative performance adjustment should not create any disconnect with Alleghany's goal of increasing stockholder value. In this regard, the Compensation Committee considered that it has authority to exercise its negative discretion to reduce payouts in the event that it determines that the S&P 500 Index adjustment produces payouts inconsistent with Alleghany's performance. The Compensation Committee also considered that, in the absence of a provision for such an adjustment set forth in the terms of the awards, it would not have discretion to make adjustments at the end of the award period that would increase payouts based upon Alleghany's relative performance.

Retirement Plan

We offer retirement plan benefits to all our employees. Retirement benefits for our Named Executive Officers are provided under the Retirement Plan. We believe the Retirement Plan provides a competitive advantage in helping Alleghany attract senior mid-career level talent. In addition, as it is Alleghany's intention that a significant portion of compensation for our Named Executive Officers is contingent on financial performance objectives, the benefits offered by the Retirement Plan provide an important stable component of total compensation. Under the Retirement Plan, a participant must have completed five years of service with Alleghany or a subsidiary of Alleghany before he or she is vested in, and thus has a right to receive, any retirement benefits following his or her termination of employment. The annual retirement benefit under the Retirement Plan, if paid in the form of a joint and survivor life annuity to a married participant who retires on reaching age 65 with 15 or more years of service, is equal to 67% of the participant's highest average annual base salary and annual cash bonus over a consecutive three-year period during the last ten years or, if shorter, the full calendar years of employment. We do not take payouts of long-term incentives into account in computing retirement benefits.

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Deferred Compensation Plan

Alleghany credits an amount equal to 15% of a Named Executive Officer's base salary to the Deferred Compensation Plan each year. Entitlement to this savings benefit is not based on performance. As it is Alleghany's intention that a significant portion of compensation for our Named Executive Officers be contingent on financial performance objectives, the savings benefit offered by the Deferred Compensation Plan provides a stable component of total compensation. In addition, the Deferred Compensation Plan permits our Named Executive Officers to defer the receipt, and thus the taxation, of all of their base salary and their bonus under our 2005 MIP, and to have the deferred amount credited either with interest or to be treated as invested in our common stock.

Perquisites

Our general practice is to not provide perquisites or other personal benefits to our Named Executive Officers. In 2008, no Named Executive Officer received more than \$10,000 in perquisites or other personal benefits.

Financial Statement Restatements

It is our Board's policy that the Compensation Committee will, to the extent permitted by governing law, have the sole and absolute authority to make retroactive adjustments to any cash or equity based incentive compensation awarded or paid to any of our officers where the award or payment was predicated upon the achievement of performance measures that were subsequently the subject of a restatement or otherwise adjusted in a manner that would reduce the size of any such award or payment. In this regard, the Compensation Committee is authorized to have Alleghany seek to recover any amount the Compensation Committee determines was inappropriately received by any individual officer.

Executive Officer Stock Ownership Guidelines

We expect our executive officers to achieve ownership of our common stock, having an aggregate market value or book value (whichever is higher), based upon a multiple of base salary; for our President and chief executive officer, the multiple is five times base salary; for Senior Vice Presidents, the multiple is three times base salary; and for Vice Presidents, the multiple is one times base salary. We expect our executive officers to retain 75% of the shares of common stock they receive (net of taxes) in respect of awards under our long-term incentive plans until they achieve their applicable ownership level, and they are expected to maintain such a level thereafter.

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Tax Considerations

We are not allowed a deduction under the Code for any compensation paid to a covered employee in excess of \$1.0 million per year, subject to certain exceptions. In general, covered employees include our President and our three other most highly compensated executive officers (not including our chief financial officer) who are in our employ and are officers at the end of the tax year. Among other exceptions, the deduction limit does not apply to compensation that meets the specified requirements for performance-based compensation. In general, those requirements include the establishment of objective performance goals for the payment of such compensation by a committee of the board of directors composed solely of two or more outside directors, stockholder approval of the material terms of such compensation prior to payment, and certification by the committee that the performance goals have been achieved prior to the payment of such compensation. Such requirements permit the committee administering the plan to make discretionary adjustments to performance goals that would reduce payouts but does not permit discretionary adjustments to performance goals that would increase payouts. In this regard, the 2005 MIP provides that it is not exclusive and does not limit the authority of the Compensation Committee or the Board to pay cash bonuses or other supplemental or additional incentive compensation to any employee . . . regardless of how the amount of such bonus or compensation is determined.

Although the Compensation Committee believes that establishing appropriate compensation arrangements to retain and incentivize our executive officers best serves our interests and the interests of our stockholders, the Compensation Committee also believes that appropriate consideration should be given to seeking to maximize the deductibility of the compensation paid to our executive officers. In this regard, all of the amounts identified under the Non-Equity Incentive Plan column of the Summary Compensation Table on page 42 paid to Messrs. Hicks, Gorham, Hart, Slattery and Borrelli, all of the performance shares awarded to the Named Executive Officers as well as restricted stock awards to such officers, are intended to qualify as performance-based compensation for purposes of Section 162(m). The 2008 Bonuses identified under the Bonus column of the Summary Compensation Table on page 42 paid to Messrs. Hicks, Gorham, Hart and Borrelli do not qualify as performance-based compensation for purposes of Section 162(m).

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PAYMENTS UPON TERMINATION OF EMPLOYMENT

Overview

Certain of our Named Executive Officers would be entitled to payments in the event of the termination of their employment. These payments, other than those that do not discriminate in scope, terms or operation in favor of the Named Executive Officers and that are generally available to all salaried employees, are described below.

Pursuant to his employment agreement with Alleghany, Mr. Hicks would be entitled to receive continued payments of his base salary until such payments aggregate \$1.0 million on a gross basis, payable in accordance with our normal payroll and procedures, following termination of his employment other than for cause or in the event of his death or disability.

As described in more detail on pages 46 through 48, the restricted stock award agreements with Messrs. Hicks and Gorham provide for pro rata payments in the event of termination of employment other than termination for Cause or Total Disability, if certain performance conditions have been met, and the restricted stock unit matching grant award agreement with Mr. Hicks provides for a pro rata payment in the event of the termination of employment without Cause or termination of employment by reason of Mr. Hicks' death or Total Disability. The foregoing agreements generally define Cause to mean conviction of a felony; willful failure to implement reasonable directives of the Chairman or the Board of Directors of Alleghany, as well as the President in Mr. Gorham's case, after written notice, which failure is not corrected within ten days following notice thereof; or gross misconduct in connection with the performance of any of their duties. Total Disability in the foregoing agreements generally is defined to mean inability to discharge duties due to physical or mental illness or accident for one or more periods totaling six months during any consecutive twelve-month period.

Other than the foregoing, there are no individual arrangements that would provide payments to our Named Executive Officers upon termination other than for cause or in the event of death or disability. Further, we do not have any arrangements with our Named Executive Officers that would provide for payments upon a change of control of Alleghany or upon a change of control and subsequent termination of employment.

A number of the plans described in this proxy statement have provisions that may result in payments upon termination of employment under certain circumstances. Awards under our 2002 LTIP and 2007 LTIP provide for the pro rata payment of outstanding awards in the event of the termination of employment prior to the end of the award period. With respect to awards under the 2002 LTIP and 2007 LTIP, the pro rata payment would be based on the elapsed

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portion of the award period prior to termination and average annual compound growth in Book Value Per Share through the date of termination, as determined by the Compensation Committee.

Our 2005 MIP also provides for the pro rata payment of outstanding awards in the event of a participant's death or disability prior to the end of the award period, as determined by the Compensation Committee in its discretion. The pro rata payment would be based on such factors as the Compensation Committee, in its discretion, determines, but generally would be based on the elapsed portion of the award period and the achievement of the objectives set for such award period. In addition, if a participant's employment with Alleghany is otherwise terminated during an award period, the Compensation Committee, in its discretion, will determine the amount, if any, of the outstanding award payable to such participant. Whether such payments are made, and the determination of the amount of such payments based on the provisions of the 2005 MIP, are subject to the sole discretion of the Compensation Committee in its administration of the 2005 MIP.

Additional payments upon any termination of employment would be made under our Retirement Plan, and Executive Retiree Health Plan, or Post-Retirement Medical Plan, as long as the employee is eligible to receive benefits under the Retirement Plan at the time of the termination of employment. Our Deferred Compensation Plan also provides for payments of a participant's vested savings benefit in the event of any termination of employment in the form previously elected by a participant subject to the provisions of Section 409A of the Code, as applicable, or if no election has been made, in a lump sum. A termination of employment will not cause an enhanced or accelerated payment or other benefit to be made under the Deferred Compensation Plan. Information with respect to the Retirement Plan is set forth on pages 53 through 55, and information with respect to the Deferred Compensation Plan is set forth on pages 55 through 57.

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The table below provides information regarding the amounts that Messrs. Hicks, Gorham, Hart and Borrelli would be eligible to receive upon any termination of employment by Alleghany other than for cause, as if such termination of employment occurred on December 31, 2008:

Severance under Employment Agreement	Payments under Restricted Stock Award Agreements(2)	Payments under Restricted Stock Unit Matching Grant Award (3)	2002 and 2007 LTIP (4)	2008 Bonus (5)	Retirement Plan (6)	Deferred Compensation Plan (7)	Post- Retirement Medical Plan (8)	Total
\$ 1,000,000(1)	\$ 6,351,542	\$ 3,650,963	\$ 4,994,333	\$ 1,275,000	\$ 2,697,999	\$ 856,817		\$ 20,726,454
	\$ 870,561		\$ 1,755,790	\$ 453,150		\$ 321,026		\$ 3,399,517
			\$ 2,019,768	\$ 445,500	\$ 3,643,606	\$ 1,251,399	\$ 161,650	\$ 7,531,823
			\$ 501,678	\$ 193,800		\$ 144,900		\$ 840,378

(1) This amount would be paid by Alleghany in the form of continued payments of base salary.

(2) Reflects award amounts payable to Mr. Hicks under his 2004 restricted stock agreement and to Mr. Gorham under his 2004 restricted stock agreement if Messrs. Hicks or Gorham were terminated other than for Cause or Total Disability based on the elapsed portion of the award period prior to termination and the performance goal of average annual compound growth in Book Value Per Share through the date of termination having been satisfied as of December 31, 2008. The terms of these agreements are described on pages 46 through 48.

(3) Reflects award amount payable to Mr. Hicks under his 2002 restricted stock unit matching grant award agreement if Mr. Hicks was terminated without Cause or by reason of his death or Total Disability (as such terms are defined in the such matching agreement) on the basis of 10% of the restricted stock unit account for each full year of employment measured from October 7, 2002, or 60% as of December 31, 2008. The terms of this restricted stock unit matching agreement are described on pages 46 and 47.

(4) Reflects payment of all outstanding LTIP awards, including amounts paid in February 2009 for the award period ending December 31, 2008, based on the elapsed portion of the award period prior to termination and average annual compound growth in Book Value Per Share through the date of termination, in accordance with the terms of the awards.

- (5) Reflects 2008 Bonuses paid to the Named Executive Officers in February 2009 as reported in the Summary Compensation Table on page 42 and as described on pages 31 and 32.
- (6) Reflects payment of vested pension benefits, computed as of December 31, 2008, under the Retirement Plan to Messrs. Hart and Hicks. Messrs. Gorham and Borrelli were not vested in the Retirement Plan as of December 31, 2008. The determination of these

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pension benefits is described in more detail on pages 53 through 55. Does not include retiree life insurance death benefit, equal to the annual salary of a participant at the date of retirement, payable to Messrs. Hart and Hicks. Messrs. Gorham and Borrelli were not vested in such retiree life insurance death benefit as of December 31, 2008.

- (7) Reflects the aggregate vested account balance at December 31, 2008 of the Named Executive Officer's savings benefit (consisting of Alleghany contributions and interest earned thereon) under the Deferred Compensation Plan.
- (8) Reflects accumulated accrued benefit under our Post-Retirement Medical Plan for Mr. Hart. Messrs. Hicks, Gorham and Borrelli were not eligible to receive benefits under this plan at such date. Under the Post-Retirement Medical Plan, Alleghany would pay two-thirds of coverage premium and the Named Executive Officer would pay one-third of the coverage premium. Alleghany may terminate the Post-Retirement Medical Plan at any time.

Arrangements with Mr. Slattery

Mr. Slattery retired as Senior Vice President Insurance of Alleghany, effective July 1, 2008. As a result of his retirement, Mr. Slattery:

received a gross payout on February 26, 2009 of 5,641 performance shares, paid in the form of 3,659 shares of common stock and \$520,546 in cash, in settlement of all of the outstanding performance shares awarded to him under the 2002 LTIP and 2007 LTIP;

received a payout on January 5, 2009 of \$2,117,730 representing a lump sum payment of his accrued benefit under the Retirement Plan;

received a payout of \$479,240 representing all of the savings benefits which he had accrued under the Deferred Compensation Plan, of which \$214,235 was paid on July 1, 2008 and \$265,005 of which was paid on January 23, 2009; and

became eligible to participate in the Post-Retirement Medical Plan, which had an accumulated accrued benefit of \$154,986 at July 1, 2008.

Alleghany provides life insurance death benefits to current and retired Alleghany officers under its insurance plan. These life insurance policies provide a death benefit to an officer if he is an employee at the time of his death equal to four times the amount of his annual salary. After retirement, such death benefit is reduced to one times the amount of the officer's highest annual salary before retirement. Premiums are paid by Alleghany, and policy proceeds pay the death benefit and the balance, if any, goes to Alleghany as recoupment of part of its expense in providing the benefit. In connection with his retirement on July 1, 2008, Alleghany sold to Mr. Slattery the life insurance policy that Alleghany owned and maintained on his life for \$89,000, representing the policy's net cash surrender value.

Table of Contents**EXECUTIVE COMPENSATION**

The information under this heading relates to the compensation of Alleghany's Named Executive Officers during 2008, 2007 and 2006. Alleghany does not use stock options to compensate its employees, including its Named Executive Officers. As a result, all tables contained under this heading Executive Compensation omit columns pertaining to stock options.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Non-Equity Incentive Plan Compensation(3)	Change in Pension Value and Nonqualified Deferred Compensation(4)	All Other Compensation(5)	Total
Robert M. Hicks, President and CEO	2008	\$ 1,000,000	\$ 1,275,000	\$ 4,158,233		\$ 1,594,268	\$ 196,197	\$ 8,223,691
	2007	\$ 1,000,000		\$ 5,001,272	\$ 1,500,000	\$ 1,160,447	\$ 192,875	\$ 8,854,594
	2006	\$ 800,000		\$ 6,527,614	\$ 1,200,000	\$ 856,009	\$ 150,995	\$ 9,534,618
Robert B. Gorham, Senior Vice President- Finance and Investments CFO	2008	\$ 530,000	\$ 453,150	\$ 915,986		\$ 295,471	\$ 106,955	\$ 2,301,562
	2007	\$ 510,000		\$ 1,044,759	\$ 459,000	\$ 194,684	\$ 101,585	\$ 2,310,028
	2006	\$ 490,000		\$ 781,053	\$ 441,000	\$ 173,622	\$ 93,997	\$ 1,979,672
Robert M. Hart, Senior Vice President, General Counsel Secretary	2008	\$ 550,000	\$ 445,500	\$ 772,864		\$ 1,411,366	\$ 123,405	\$ 3,303,135
	2007	\$ 530,000		\$ 988,552	\$ 477,000	\$ 880,724	\$ 127,997	\$ 3,004,273
	2006	\$ 510,000		\$ 1,052,687	\$ 459,000	\$ 1,006,955	\$ 103,875	\$ 3,132,519
James P. Slattery, Senior Vice President- Finance(6)	2008	\$ 245,000		\$ 305,176		\$ 246,304	\$ 165,658	\$ 962,138
	2007	\$ 470,000		\$ 872,279	\$ 423,000	\$ 557,466	\$ 108,316	\$ 2,431,061
	2006	\$ 450,000		\$ 927,032	\$ 405,000	\$ 393,476	\$ 86,343	\$ 2,261,851
Joseph G. Borrelli, President and CEO	2008	\$ 340,000	\$ 193,800	\$ 217,556		\$ 118,964	\$ 73,004	\$ 943,324
	2007	\$ 320,000		\$ 203,411	\$ 192,000	\$ 86,051	\$ 67,822	\$ 869,284
	2006	\$ 262,538(7)	\$ 100,000(8)	\$ 234,247	\$ 174,000	\$ 64,190	\$ 53,450	\$ 888,425

- (1) Reflects 2008 Bonuses paid to Named Executive Officers as described on pages 31 and 32.
- (2) Represents the dollar amount recognized for financial statement reporting purposes for the years ended December 31, 2008, 2007 and 2006, respectively, in accordance with SFAS 123R, of (i) all performance shares awarded to such Named Executive Officers under the 2002 LTIP and 2007 LTIP and outstanding during 2008, 2007 and 2006, and (ii) for Messrs. Hicks and Gorham, outstanding restricted stock and stock unit awards. See Note 10 to the consolidated financial statements of Alleghany contained in its Annual Report on Form 10-K for the year ended December 31, 2008 for assumptions underlying the valuation of stock-based awards. Amounts in this column for Mr. Borrelli for the year ended December 31, 2006 reflect the award of additional performance shares in connection with his commencement of employment with Alleghany in February 2006.

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- (3) Represents cash incentive earned in respect of 2007 and 2006 pursuant to awards under the 2005 MIP. No cash incentive was earned in respect of 2008 pursuant to awards under the 2005 MIP.
- (4) Reflects change in pension value during 2008, 2007 and 2006. The change in pension value between 2008 and 2007 reflects the impact of a decrease in interest rates attributable to post-retirement time frames during such period.
- (5) Reflects the following items:

Post-Retirement Medical Plan: \$30,257 for Mr. Hicks, \$17,549 for Mr. Gorham, \$18,406 for Mr. Hart, \$123,030 for Mr. Slattery and \$13,624 for Mr. Borrelli, representing the change in Post-Retirement Medical Plan benefit value during 2008; \$28,462 for Mr. Hicks, \$15,263 for Mr. Gorham, \$27,981 for Mr. Hart, \$25,329 for Mr. Slattery and \$11,533 for Mr. Borrelli, representing the change in Post-Retirement Medical Plan benefit value during 2007; and \$17,436 for Mr. Hicks, \$11,028 for Mr. Gorham, \$8,613 for Mr. Hart, \$6,162 for Mr. Slattery and \$8,431 for Mr. Borrelli, representing the change in Post-Retirement Medical Plan benefit value during 2006.

Life insurance and Long-Term Disability: The following amounts represent the dollar value of the insurance premiums paid by Alleghany for the benefit of such individuals for life insurance and long-term disability insurance maintained by Alleghany on their behalf: \$9,420 in respect of Mr. Hicks, \$5,928 in respect of Mr. Gorham, \$13,370 in respect of Mr. Hart, \$1,773 in respect of Mr. Slattery and \$5,026 in respect of Mr. Borrelli in 2008; \$9,060 in respect of Mr. Hicks, \$5,754 in respect of Mr. Gorham, \$12,012 in respect of Mr. Hart, \$7,517 in respect of Mr. Slattery and \$4,903 in respect of Mr. Borrelli in 2007; and \$7,796 in respect of Mr. Hicks, \$5,588 in respect of Mr. Gorham, \$10,854 in respect of Mr. Hart, \$7,026 in respect of Mr. Slattery and \$4,284 in respect of Mr. Borrelli in 2006. These life insurance policies provide a death benefit to each such officer if he is an employee at the time of his death equal to four times the amount of his annual salary at January 1 of the year of his death. These long-term disability insurance policies provide disability insurance coverage to each such officer in the event he becomes disabled (as defined in such policies) during his employment with Alleghany.

Tax reimbursement: The following amounts represent the reimbursement of taxes, and the reimbursement itself, on income imputed to such individuals pursuant to Alleghany's long-term disability and life insurance policies as described above: \$6,520 in respect of Mr. Hicks, \$4,103 in respect of Mr. Gorham, \$9,254 in respect of Mr. Hart, \$1,167 in respect of Mr. Slattery and \$3,479 in respect of Mr. Borrelli for 2008; \$6,603 in respect of Mr. Hicks, \$4,193 in respect of Mr. Gorham, \$8,754 in

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respect of Mr. Hart, \$5,095 in respect of Mr. Slattery and \$3,573 in respect of Mr. Borrelli for 2007; and \$5,763 in respect of Mr. Hicks, \$4,131 in respect of Mr. Gorham, \$8,024 in respect of Mr. Hart, \$5,763 in respect of Mr. Slattery and \$3,167 in respect of Mr. Borrelli for 2006.

Savings benefits: Savings benefits of \$150,000 for Mr. Hicks, \$79,375 for Mr. Gorham, \$82,375 for Mr. Hart, \$39,688 for Mr. Slattery and \$50,875 for Mr. Borrelli for 2008; savings benefits of \$148,750 for Mr. Hicks, \$76,375 for Mr. Gorham, \$79,250 for Mr. Hart, \$70,375 for Mr. Slattery and \$47,813 for Mr. Borrelli for 2007, and savings benefits of \$120,000 for Mr. Hicks, \$73,250 for Mr. Gorham, \$76,384 for Mr. Hart, \$67,392 for Mr. Slattery and \$37,568 for Mr. Borrelli for 2006, credited by Alleghany to each of them pursuant to the Deferred Compensation Plan. The method for calculating earnings on the savings benefit amounts under the Deferred Compensation Plan are set out on pages 55 through 57 in the narrative accompanying the Nonqualified Deferred Compensation table.

- (6) 2008 amounts for Mr. Slattery represent the pro rata portion of amounts earned by Mr. Slattery in respect of, or paid to Mr. Slattery during, his employment with Alleghany through his July 1, 2008 retirement date as described on page 41.
- (7) Represents pro rata portion of 2006 annual base salary of \$290,000, reflecting Mr. Borrelli's commencement of employment with Alleghany in February 2006.
- (8) Represents a bonus paid to Mr. Borrelli upon the commencement of his employment with Alleghany in February 2006.

Grants of Plan-Based Awards in 2008

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Grant Date Shares of Fair Value Stock Units (#) Awards(3)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	
Weston M. Hicks	Jan. 14, 2008	50,000	1,000,000	1,500,000	1,502	5,008	7,512	\$ 2,764,011
Roger B. Gorham	Jan. 14, 2008	15,900	318,000	477,000	478	1,592	2,388	\$ 878,742
Robert M. Hart	Jan. 14, 2008	16,500	330,000	495,000	496	1,652	2,479	\$ 911,955
James P. Slattery	Jan. 14, 2008	14,700	147,000	220,500	442	1,473	2,209	\$ 812,878
Jerry G. Borrelli	Jan. 14, 2008	6,800	136,000	204,000	153	511	767	\$ 282,030

- (1) Reflects awards under the 2005 MIP. Threshold amounts reflect estimated possible payout if Adjusted Earnings Per Share equal 81% of Target Plan Earnings Per Share and maximum amounts reflect estimated possible payout if Adjusted Earnings Per Share equal

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110% of Target Plan Earnings Per Share. If Adjusted Earnings Per Share is 80% or below of Target Plan Earnings Per Share, no payment would be made. No payouts of these awards were made in respect of 2008, as Adjusted Earnings per Share was below 80% of Target Plan Earnings Per Share. All Named Executive Officers, except for Mr. Slattery who was not an employee at December 31, 2008, received the 2008 Bonuses as described on pages 31 and 32, the amounts of which are set forth in the Bonus column of the Summary Compensation Table on page 42.

- (2) Reflects gross number of shares of common stock payable in connection with awards of performance shares for the 2008-2011 award period under the 2007 LTIP. Threshold amounts reflect estimated future payout of performance shares if average annual compound growth in Book Value Per Share equals 3.6% in the award period; target amounts reflect estimated future payout of performance shares if average annual compound growth in Book Value Per Share equals 7% in the 2008-2011 award period; and maximum amounts reflect estimated future payout of performance shares if average annual compound growth in Book Value Per Share equals or exceeds 10.5% in the 2008-2011 award period. If average annual compound growth in Book Value Per Share is 3.5% or lower, none of these performance shares would be payable.
- (3) Reflects 2008 SFAS 123R value of performance share awards for the 2008-2011 award period under the 2007 LTIP, as adjusted for dividends, assuming payouts at maximum.

Employment Agreement with Weston M. Hicks

On October 7, 2002, Alleghany and Mr. Hicks entered into an employment agreement pursuant to which Mr. Hicks agreed to serve as Executive Vice President of Alleghany. Pursuant to the terms of this employment agreement:

Mr. Hicks's salary is to be reviewed annually.

If Mr. Hicks's employment is terminated by Alleghany other than for Cause or other than in the case of his Total Disability, Alleghany will continue to pay his base salary after such termination until such payments aggregate \$1,000,000 on a gross basis. Cause is defined as conviction of a felony; willful failure to implement reasonable directives of the Chairman or the Board of Alleghany after written notice, which failure is not corrected within ten days following notice thereof; or gross misconduct in connection with the performance of any of Mr. Hicks's duties; and Total Disability is defined as Mr. Hicks's inability to discharge his duties due to physical or mental illness or accident for one or more periods totaling six months during any consecutive twelve-month period.

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Mr. Hicks and Alleghany entered into a restricted stock award agreement dated as of October 7, 2002, whereby Mr. Hicks received an award of 32,473 performance-based, restricted shares of common stock (which includes shares received in subsequent stock dividends which are similarly restricted) under the 2002 LTIP. On February 27, 2007, the Compensation Committee determined that the performance measure for such award had been achieved and as a result, the restricted stock award of 32,473 shares vested and was paid out.

Mr. Hicks and Alleghany entered into a restricted stock unit matching grant agreement dated as of October 7, 2002, whereby Mr. Hicks received a restricted stock unit matching grant under the 2002 LTIP of two restricted stock units for every share of common stock Mr. Hicks purchased or received pursuant to stock dividends on those purchased shares, or Owned Shares, on or before September 30, 2003 up to a maximum of 30,000 restricted stock units in respect of up to a maximum of 15,000 Owned Shares (in each case subject to increase to reflect any stock dividend paid in 2003). Material terms of this matching grant agreement, or the Matching Grant Agreement, are discussed below.

Mr. Hicks received a second grant of 28,153 performance-based, restricted shares of common stock (which includes shares received in subsequent stock dividends which are similarly restricted) under the 2002 LTIP upon his election as chief executive officer of Alleghany. Material terms of this restricted stock agreement are discussed below.

The employment agreement was the result of an arm's-length negotiation between the Executive Committee and Mr. Hicks and was approved by the Compensation Committee and the Board. The Executive Committee determined that such provisions were appropriate and helpful in recruiting Mr. Hicks, and the Compensation Committee and the Board approved such determination.

2002 Restricted Stock Unit Matching Grant Award to Mr. Hicks

On August 25, 2003, Mr. Hicks purchased 10,000 shares of common stock and, pursuant to the Matching Grant Agreement, Alleghany credited him with 22,081 restricted stock units, as adjusted for stock dividends.

These restricted stock units are notional units of measurement denominated in shares of common stock and entitle Mr. Hicks to payment on account of such restricted stock units in an amount equal to the Fair Market Value, as defined in the Matching Grant Agreement, on the payment date of a number of shares of common stock equal to the number of restricted stock units to which Mr. Hicks is entitled to payment. All of the restricted stock units vest on

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October 7, 2012 and are to be paid in cash and/or shares of common stock, as the Compensation Committee may determine, on the date of the filing of Alleghany's Annual Report on Form 10-K in respect of the year in which Mr. Hicks's employment is terminated for any reason. If Mr. Hicks is terminated without Cause or by reason of his death or Total Disability (as such terms are defined in the Matching Grant Agreement) prior to October 7, 2012, a pro rata portion of the restricted stock units credited to him shall vest and become nonforfeitable on the basis of 10% of such account for each full year of employment with Alleghany measured from October 7, 2002.

Mr. Hicks must maintain unencumbered beneficial ownership of the Owned Shares continuously throughout the period commencing with the initial purchase of Owned Shares and ending October 7, 2012 or the earlier date of a pro rata payout. To the extent he fails to do so, he will forfeit two restricted stock units for each Owned Share with respect to which he has not maintained unencumbered beneficial ownership for the required period of time. If, prior to October 7, 2012, Mr. Hicks voluntarily terminates his employment or Alleghany terminates Mr. Hicks's employment for Cause, all of the restricted units shall be forfeited. Mr. Hicks may not transfer the restricted stock units and has no voting or other rights in respect of the restricted stock units.

2004 Restricted Stock Award to Mr. Hicks

Upon his appointment as President and chief executive officer of Alleghany on December 31, 2004, Mr. Hicks received a restricted stock award of 28,153 shares of common stock (as adjusted for stock dividends paid since the date of his employment agreement) under the 2002 LTIP as set forth in a restricted stock award agreement dated as of December 31, 2004 between Mr. Hicks and Alleghany. Such shares of restricted stock will vest:

- (i) if Alleghany achieves average annual compound growth in Stockholders' Equity Per Share (as defined in the award agreement) equal to 10% or more as measured over a calendar year period commencing January 1, 2005 and ending on December 31, 2008, 2009, 2010 or 2011, or
- (ii) if the performance goal set forth in clause (i) above has not been achieved as of December 31, 2011, when Alleghany achieves average annual compound growth in Stockholders' Equity Per share equal to 7% or more as measured over a calendar year period commencing January 1, 2005 and ending on December 31, 2012, 2013 or 2014.

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The performance goal set forth in clause (i) above was not met as of December 31, 2008.

If the performance goals are not achieved as of December 31, 2014, Mr. Hicks will forfeit all of the restricted shares. If Alleghany terminates Mr. Hicks' s employment after December 31, 2006 other than for Cause or Total Disability (as defined in the award agreement), and the performance goal set forth in clause (ii) above has been satisfied in all respects except for the passage of the period of time required under the new award agreement, that number of restricted shares equal to 28,153 multiplied by a fraction, the numerator of which is the number of full calendar years beginning January 1, 2005 and ending on or before the date of such termination, and the denominator of which is ten, will vest.

2004 Restricted Stock Award to Mr. Gorham

In connection with commencing employment with Alleghany as Senior Vice President Finance, Alleghany and Mr. Gorham entered into a restricted stock award agreement dated as of December 21, 2004. Under this award agreement, Mr. Gorham received a restricted stock award of 3,858 shares of common stock (which includes shares received in subsequent stock dividends which are similarly restricted) under the 2002 LTIP, which will vest:

(i) if Alleghany achieves average annual compound growth in Stockholders' Equity Per Share (as defined in the award agreement) equal to 10% or more as measured over a calendar year period commencing January 1, 2005 and ending on December 31, 2008, 2009, 2010 or 2011, or

(ii) if the performance goal set forth in clause (i) above has not been achieved as of December 31, 2011, when Alleghany achieves average annual compound growth in Stockholders' Equity Per share equal to 7% or more as measured over a calendar year period commencing January 1, 2005 and ending on December 31, 2012, 2013 or 2014.

The performance goal set forth in clause (i) above was not met as of December 31, 2008.

If the performance goals are not achieved as of December 31, 2014, Mr. Gorham will forfeit all of the restricted shares. If Mr. Gorham' s employment with Alleghany is terminated for any reason prior to the occurrence of any vesting date, he shall forfeit his interest in any restricted shares that have not yet vested; however, if Alleghany terminates Mr. Gorham' s employment after December 31, 2006 other than for Cause or Total Disability (as defined in the award agreement), and the performance goal set forth in clause (ii) above has been satisfied in all respects except for the passage of the required period of time, that number of restricted shares equal to 3,858 multiplied by a fraction, the numerator of which is the number of full calendar years beginning January 1, 2005 and ending on or before the date of such termination, and the denominator of which is ten, will vest.

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Performance Share Award to Mr. Borrelli

In connection with commencing employment with Alleghany in February 2006, Alleghany awarded Mr. Borrelli performance shares under the 2002 LTIP as follows:

643 performance shares, as adjusted for stock dividends, for the four-year award period ending December 31, 2009, which entitle him to a payout of cash and/or common stock up to a maximum amount equal to the value of one and one-half shares of common stock on the payout date for each performance share awarded; and

370 performance shares, as adjusted for stock dividends, for the three-year award period ending December 31, 2008, which entitle him to a payout of cash and/or common stock up to a maximum amount equal to the value of one share of common stock on the payout date for each performance share awarded.

Table of Contents**Outstanding Equity Awards at 2008 Fiscal Year-End**

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Stock Awards	
			Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Weston M. Hicks			6,866(1)	\$ 1,935,961
			8,876(2)	\$ 2,502,891
			9,063(3)	\$ 2,555,766
			7,512(4)	\$ 2,118,384
			28,153(5)	\$ 7,939,428
	22,081(6)	\$ 6,227,124		
Roger B. Gorham			2,632(1)	\$ 741,942
			3,261(2)	\$ 919,602
			2,774(3)	\$ 782,127
			2,388(4)	\$ 673,416
			3,858(7)	\$ 1,088,201
Robert M. Hart			3,699(1)	\$ 1,043,118
			3,396(2)	\$ 957,249
			2,882(3)	\$ 812,583
			2,479(4)	\$ 698,796
James P. Slattery(8)			3,256(1)	\$ 917,910
			2,996(2)	\$ 845,154
			2,555(3)	\$ 720,369
			2,209(4)	\$ 623,079
Jerry G. Borrelli			556(1)	\$ 156,510
			966(2)	\$ 272,412
			870(3)	\$ 245,340
			767(4)	\$ 216,153

(1) Performance shares under the 2002 LTIP, calculated at maximum payout pursuant to SEC requirements, which vest after completion of the award period ending December 31, 2008.

(2) Performance shares under the 2002 LTIP, calculated at maximum payout pursuant to SEC requirements, which vest after completion of the award period ending December 31, 2009.

- (3) Performance shares under the 2002 LTIP, calculated at maximum payout pursuant to SEC requirements, which vest after completion of the award period ending December 31, 2010.

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- (4) Performance shares under the 2007 LTIP, calculated at maximum payout pursuant to SEC requirements, which vest after completion of the award period ending December 31, 2011.
- (5) Restricted stock award under the 2002 LTIP which vests (i) after achievement of average annual compound growth in Stockholders' Equity Per Share equal to 10% or more over a calendar year period commencing on January 1, 2005 and ending on December 31, 2008, 2009, 2010 or 2011 or (ii) if such performance goal has not been achieved as of December 31, 2011, after achievement of average annual compound growth in Stockholders' Equity Per Share equal to 7% or more as measured over a calendar year period commencing on January 1, 2005 and ending on December 31, 2012, 2013 or 2014. The performance goal set forth in clause (i) above was not met as of December 31, 2008. If the performance goals are not achieved as of December 31, 2014, all of the restricted stock will be forfeited. If Alleghany terminates Mr. Hicks's employment after December 31, 2006 other than for Cause or Total Disability, and the 7% performance goal has been satisfied in all respects except for the passage of the period of time required under the new award agreement, that number of restricted shares equal to 28,153 multiplied by a fraction, the numerator of which is the number of full calendar years beginning January 1, 2005 and ending on or before the date of such termination, and the denominator of which is ten, will vest.
- (6) Restricted stock units under the 2002 LTIP vest on October 7, 2012. As further described on page 47, if Mr. Hicks is terminated without Cause or by reason of his death or Total Disability prior to October 7, 2012, a pro rata portion of the restricted stock units credited to him shall vest and become nonforfeitable on the basis of 10% of such account for each full year of employment with Alleghany measured from October 7, 2002.
- (7) Restricted stock award under the 2002 LTIP which vests (i) after achievement of average annual compound growth in Stockholders' Equity Per Share equal to 10% or more over a calendar year period commencing on January 1, 2005 and ending on December 31, 2008, 2009, 2010 or 2011 or (ii) if such performance goal has not been achieved as of December 31, 2011, after achievement of average annual compound growth in Stockholders' Equity Per Share equal to 7% or more as measured over a calendar year period commencing on January 1, 2005 and ending on December 31, 2012, 2013 or 2014. The performance goal set forth in clause (i) above was not met as of December 31, 2008. If Alleghany terminates Mr. Gorham's employment after December 31, 2006 other than for Cause or Total Disability, and the 7% performance goal has been satisfied in all respects except for the passage of the period of time required under the new award agreement, that number of restricted shares equal to 3,858 multiplied by a fraction, the numerator of which is the number of full calendar years beginning January 1, 2005 and

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ending on or before the date of such termination, and the denominator of which is ten, will vest.

- (8) In connection with his retirement from Alleghany on July 1, 2008, Mr. Slattery received a payout on February 26, 2009 of 5,641 performance shares, paid in the form of 3,659 shares of common stock and \$520,546 in cash, in settlement of all performance shares awarded to him under the 2002 LTIP and 2007 LTIP that were outstanding at December 31, 2008.

2008 Stock Vested

Name	Stock Awards(1)	
	Number of Shares Acquired on Vesting	Dollar Value Realized on Vesting
Weston M. Hicks	8,237	\$ 2,872,818
Roger B. Gorham	1,934	\$ 674,521
Robert M. Hart	4,976	\$ 1,735,480
James P. Slattery	4,377	\$ 1,526,566
Jerry G. Borrelli	408	\$ 142,298

- (1) Reflects the gross amount of performance shares which vested upon certification of performance by the Compensation Committee on February 26, 2008 with respect to the award period ending December 31, 2007. Payouts of such performance shares were made at maximum. Of the gross share amounts reported above, the performance shares were settled in cash (representing the minimum statutory withholding requirements in respect of the award) and in common stock, as follows:

Name	Net Share Portion of Award	Cash Portion of Award
Weston M. Hicks	4,629	\$ 1,258,362
Roger B. Gorham	1,242	\$ 241,349
Robert M. Hart	2,946	\$ 708,003
James P. Slattery	2,673	\$ 594,304
Jerry G. Borrelli	270	\$ 48,130

Table of Contents**Pension Benefits**

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit(1)	Payments During Last Fiscal Year
Weston M. Hicks	Alleghany Corporation Retirement Plan	6	\$ 4,602,217	
Roger B. Gorham	Alleghany Corporation Retirement Plan	4	\$ 794,195	
Robert M. Hart	Alleghany Corporation Retirement Plan	19(2)	\$ 3,229,045(3)	
Jerry G. Borrelli	Alleghany Corporation Retirement Plan	3	\$ 269,205	

- (1) Reflects the estimated present value of the retirement benefit accumulated under the Retirement Plan as of December 31, 2008 (after giving effect to reduction for earlier benefit payments) by the Named Executive Officers, based in part on their years of service as of such date, as indicated in the table. The estimated present values are also based in part on the Named Executive Officers' average compensation as of December 31, 2008 as determined under the Retirement Plan, which was \$2,330,556 for Mr. Hicks; \$968,445 for Mr. Gorham; \$1,006,167 for Mr. Hart; and \$505,972 for Mr. Borrelli. The actuarial assumptions used to compute the present values are: a discount rate of 6.00% for pre-retirement interest, a 30-year U.S. treasury rate of 4.00% for post-retirement interest and the unloaded 1994 group annuity reserving unisex (projected 8 years) mortality table.
- (2) Includes five years of service granted by the Board to Mr. Hart in connection with the commencement of his employment with Alleghany, in addition to the actual number of his years of service with Alleghany. The present value of his accumulated benefit shown in the above table would be lower by approximately \$430,771 if these additional five years were not so included.
- (3) The present value of Mr. Hart's accumulated benefit was reduced by \$6,423,249, which represents the present value of an earlier payment made to him from the Retirement Plan.

The Retirement Plan provides retirement benefits for our employees who are elected corporate officers and those who are designated as participants by the Board, including the Named Executive Officers. The retirement benefits are paid, following termination of employment, in the form of an annuity for the joint lives of a participant and his or her spouse or, alternatively, actuarially equivalent forms of benefits, including a lump sum. A participant must have completed five years of service with us before he or she is vested in, and thus has a

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right to receive, any retirement benefits under the Retirement Plan. As discussed in Arrangements with Mr. Slattery on page 41, in connection with his retirement from Alleghany on July 1, 2008, Mr. Slattery elected to receive a lump-sum payment of his accrued benefit under the Retirement Plan. On January 5, 2009, Alleghany made a lump sum payment of \$2,117,730 in satisfaction of Mr. Slattery's accrued Retirement Plan benefit.

Under the Retirement Plan, the annual retirement benefit to a participant who retires on reaching Normal Retirement Age, defined as age 65 with five or more years of service, if paid in the form of a life annuity with a 100% survivor annuity to the participant's spouse, is equal to:

- (i) 66.67% of the participant's average compensation, which is defined as the highest average annual sum of the base salary and cash bonus earned over a consecutive three-year period during the last ten years of employment, multiplied by
- (ii) a fraction (not exceeding one), the numerator of which is the number of a participant's years of service and the denominator of which is 15.

For some participants, including Mr. Hart, this retirement benefit is reduced by the actuarial equivalent of earlier benefit payments. Base salary is the amount that would be included in the salary column of the Summary Compensation Table for the relevant years, and the cash bonus is the amount of the cash bonus earned under the 2005 MIP or predecessor or successor plan or any other annual incentive bonus plan or discretionary annual award reflected in either the Bonus or Non-Equity Incentive Plan Compensation column of the Summary Compensation Table as earned in respect of the relevant years. The Retirement Plan's benefit formula contains a factor which will reduce a married participant's benefit payments to the extent that a participant is older than his or her spouse.

If a participant becomes totally disabled prior to retirement, then for the period of total disability the participant is treated as earning annual base salary in an amount which is equal to his or her annual base salary at the time of disability, and the participant is treated as earning annual bonuses in an amount which is equal to the highest average of bonuses the participant earned over the three consecutive calendar years in the last 10 years prior to the disability, with each amount adjusted annually for inflation. Further, a participant's period of disability will be treated as continued employment for all purposes under the Retirement Plan, including for purposes of determining his or her years of service.

A participant who has terminated employment may start to receive benefits under the Retirement Plan as early as age 55, but the benefit payable at that time will be reduced to reflect the commencement of benefit payments prior to Normal Retirement Age. A participant who terminated employment with us after reaching age 55 and completing at least 20 years of service, or after reaching age 60 and completing at least 10 years of service, will have a

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smaller reduction than a participant who terminated employment prior to reaching such age or completing such number of years of service, and therefore has a subsidized early retirement benefit. The benefit payable to a participant who retires after Normal Retirement Age is increased to the greater of (i) the benefit taking into account salary increases and bonuses paid and additional years of service through the actual date of retirement or (ii) the benefit that would have been payable at Normal Retirement Age, actuarially increased to reflect the passage of time since Normal Retirement Age. For all purposes of the Retirement Plan, a participant's years of service are the number of years, including a fraction thereof, included in the period which starts on the date he or she becomes a participant, and which ends on the date his or her employment with us terminates.

As of December 31, 2008, Mr. Hart was age 64 and had 17 years of credited service, thus he could have retired and begun to receive a subsidized early retirement benefit as of that date. If Mr. Hart had retired as of that date and received a lump sum benefit computed as of that date, his lump sum payment would have been \$3,643,606 (or \$3,190,825 without the extra five years of credited service). As of December 31, 2008, Messrs. Hicks, Gorham and Borrelli were under age 55, thus none of them would have been eligible to receive a subsidized early retirement benefit if he had retired as of that date. If Mr. Hicks had retired on December 31, 2008 and received a lump sum payment of his benefits computed as of that date, the lump sum payment would have been \$2,697,999. Neither Mr. Gorham nor Mr. Borrelli would have been entitled to any lump sum payments if he retired as of December 31, 2008 since neither would have had 5 years of service.

Nonqualified Deferred Compensation

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year(1)	Aggregate Earnings in Last Fiscal Year (2)	Aggregate Withdrawals/ Distributions (3)	Aggregate Balance at Last Fiscal Year End
Weston M. Hicks		\$ 150,000	\$ 37,530	\$ 2,175	\$ 856,817
Roger B. Gorham		\$ 79,375	\$ 13,322	\$ 2,050	\$ 321,026
Robert M. Hart		\$ 82,375	\$ 59,250	\$ 1,887	\$ 1,251,399
James P. Slattery		\$ 36,688	\$ (23,144)	\$ 215,942	\$ 261,712
Jerry G. Borrelli	\$ 361,583	\$ 47,313	\$ 25,347	\$ 3,823	\$ 674,303(4)

(1) Such amounts are included as a component of All Other Compensation for 2008 set forth in the Summary Compensation Table on page 42 and discussed in Note (5) to the Summary Compensation Table.

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- (2) With respect to Messrs. Hicks, Gorham, Hart and Borrelli, amounts represent interest earned on amounts credited to their savings benefit accounts during 2008. With respect to Mr. Slattery, amount represents interest earned, as well as depreciation on his common stock account through the date of his retirement on July 1, 2008. Such amounts are not included in the Summary Compensation Table on page 42 as these amounts are not above-market interest.
- (3) Represents distribution for tax purposes.
- (4) Of this amount, \$529,403 consists of compensation earned by Mr. Borrelli that he elected to defer and \$144,900 consists of contributions made by Alleghany to the savings benefit account of Mr. Borrelli.

Alleghany's Deferred Compensation Plan, which was established in January 1982 and amended in October 2007 to comply with Section 409A of the Code, provides for unfunded deferred compensation arrangements for Alleghany officers and certain other employees. The following descriptions of Savings Benefit Provisions and Compensation Deferral Provisions of the Deferred Compensation Plan generally apply to amounts that were earned and vested under the Deferred Compensation Plan after December 31, 2004. Amounts earned and vested before January 1, 2005, or the Pre-409A Benefits, are subject to less stringent requirements concerning the time of payment of benefits under the Deferred Compensation Plan, but the substantive provisions that apply to the Pre-409A Benefits are generally the same as described below.

Savings Benefit Provisions

All corporate officers, including the Named Executive Officers, are eligible to participate in the Deferred Compensation Plan on the date of election or appointment.

Under the Deferred Compensation Plan, we credit a book reserve account in an amount equal to 3.75% of the base annual salary, excluding bonuses, commissions and severance pay, of each officer who is a participant at any time during such calendar quarter, resulting in an annual credit of 15% of a participant's base annual salary, referred to as the Savings Benefit Credit. Each participant may elect to have those amounts credited with interest at the prime rate or treated as invested in our common stock. In general, payment of these amounts is made or commences on the date elected by the participant, which may not be later than 12 months following termination of employment, either in a lump sum or in installments as elected by the participant.

If the amounts are credited with interest at the prime rate, that interest is computed from the date the Savings Benefit Credit is credited until the date that the amount is distributed to

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the participant or is deemed to be invested in our common stock. The prime rate for purposes of the Deferred Compensation Plan means the rate of interest announced by JPMorgan Chase Bank as its prime rate at the close of the last business day of each month, which rate is deemed to remain in effect through the last business day of the next month. Currently, each of Messrs. Hicks, Gorham, Hart and Borrelli has elected to have his savings benefits credited to a Prime Rate Account.

Amounts treated as invested in our common stock reflect the investment experience which the account would have had if the amounts had been invested, without commissions or other transaction expenses, and held in whole or fractional shares of common stock during the deferral period. These amounts are adjusted as appropriate to reflect cash and stock dividends, stock splits, and other similar distributions or transactions which, from time to time, occur with respect to common stock. Dividends and other distributions are automatically credited at their cash value or the fair market value of any non-cash dividend or other distribution and are deemed to purchase common stock on the date of payment thereof. Common stock is deemed acquired, and is valued for purposes of payout or transfer, at a price per share equal to the mean between the high and low prices thereof on the applicable date on the New York Stock Exchange Consolidated Tape. A participant's ability to elect to have his or her Savings Benefit Credits treated as invested (or not invested) in our common stock is subject to compliance with applicable securities laws. Prior to his termination of employment on July 1, 2008, Mr. Slattery had elected to have his Savings Benefit Credits treated as invested in our common stock.

Compensation Deferral Provisions

The Deferred Compensation Plan provides that participants may elect to defer all or part of their base salary and annual incentive compensation each year other than compensation that would be paid in the form of our common stock. Thus, currently, no long-term incentive compensation payable pursuant to the 2002 LTIP or 2007 LTIP may be deferred. Amounts deferred are credited with interest at the prime rate, unless a participant elects that such amounts be treated as invested in our common stock. A participant's decision to have deferred amounts treated as invested (or not invested) in our common stock is also subject to compliance with applicable securities laws. In 2008, Mr. Borrelli elected to defer a portion of his salary, as well as the annual incentive compensation paid to him under the 2005 MIP in February 2008 in respect of 2007. Mr. Borrelli elected to have such deferred compensation credited with interest at the prime rate.

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STOCKHOLDER NOMINATIONS AND PROPOSALS

Alleghany's By-Laws, which are available on Alleghany's website [at www.alleghany.com](http://www.alleghany.com), require that Alleghany be furnished with written notice with respect to:

the nomination of a person for election as a director, other than a person nominated by or at the direction of the Board, and

the submission of a proposal, other than a proposal submitted by or at the direction of the Board, at a meeting of stockholders.

In order for any such nomination or submission to be proper, the notice must contain certain information concerning the nominating or proposing stockholder and the nominee or the proposal, as the case may be, and must be furnished to Alleghany generally not less than 30 days prior to the meeting. A copy of the applicable By-Law provisions may be obtained, without charge, upon written request to the Secretary of Alleghany at Alleghany's principal executive offices.

In accordance with the rules of the SEC, any proposal of a stockholder intended to be presented at Alleghany's 2010 Annual Meeting of Stockholders must be received by the Secretary of Alleghany by November 13, 2009 in order for the proposal to be considered for inclusion in Alleghany's notice of meeting, proxy statement and proxy relating to the 2010 Annual Meeting, scheduled for Friday, April 23, 2010.

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ADDITIONAL INFORMATION

At any time prior to their being voted, the enclosed proxies are revocable by written notice to the Secretary of Alleghany or by appearance at the 2009 Annual Meeting and voting in person. A quorum comprising the holders of a majority of the outstanding shares of Alleghany's common stock on the record date must be present in person or represented by proxy for the transaction of business at the 2009 Annual Meeting.

Solicitation of proxies will be made by mail, telephone and, to the extent necessary, by telegrams and personal interviews. Alleghany will bear the expenses in connection with the solicitation of proxies. Brokers, custodians and fiduciaries will be requested to transmit proxy material to the beneficial owners of common stock held of record by such persons, at Alleghany's expense. Alleghany has retained Georgeson Shareholder Communications Inc. to aid in the solicitation of proxies, and for its services Alleghany expects to pay fees of approximately \$9,000 plus expenses.

By order of the Board of Directors

ROBERT M. HART
*Senior Vice President, General Counsel
and Secretary*

March 17, 2009

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ALLEGHANY CORPORATION

7 TIMES SQUARE TOWER

17TH FLOOR

NEW YORK, NY 10036

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

ALLGH1

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

ALLEGHANY CORPORATION

Vote On Directors

1a. John J. Burns, Jr. 0 0 0

1b. Dan R. Carmichael 0 0 0

1c. William K. Lavin 0 0 0

1d. Raymond L.M. Wong 0 0 0

1. Election of Directors The Board of Directors recommends a voteFOR the listed nominees.

For Against Abstain

Vote On Proposal

2. Ratification of Independent Registered Public Accounting Firm The Board of Directors recommends a voteFOR the following proposal.

Ratification of KPMG LLP as Alleghany Corporation's independent registered public accounting firm for the year 2009.

For Against Abstain

0 0 0

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH INSTRUCTIONS GIVEN. IF NO CHOICES ARE INDICATED, THIS PROXY WILL BE VOTED FOR ITEMS 1 AND 2.

For name or address changes and/or comments, please check this 0 box and write them on the back where indicated.

Authorized Signatures This section must be completed for your instructions to be executed Date and Sign Below.

Please sign exactly as your name or names appear(s) hereon. For joint accounts, both owners should sign. When signing as executor, administrator, attorney, trustee or guardian, etc., please give your full title.

Signature [PLEASE SIGN WITHIN BOX] Date [mm/dd/yy]

Signature (Joint Owners)

Date [mm/dd/yy]

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Important Notice Regarding Internet Availability of Proxy Materials for the Alleghany Corporation 2009 Annual Meeting of Stockholders to be Held on April 24, 2009:

Our proxy materials relating to our Annual Meeting (Notice of Meeting, Proxy Statement, Proxy and 2008 Annual Report to Stockholders on Form 10-K) are also available on the Internet. Please go to www.alleghany.com to view and obtain the proxy materials online.

Please Fold Along the Perforation, Detach and Return the Bottom Portion in the Enclosed Envelope

ALLGH2

ALLEGHANY CORPORATION

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS ON APRIL 24, 2009

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints John J. Burns, Jr., Weston M. Hicks and Robert M. Hart proxies, each with the power to appoint his substitute and with authority in each to act in the absence of the other, to represent and to vote all shares of stock of Alleghany Corporation which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Alleghany Corporation to be held at Hotel du Pont, 11th and Market Streets, Wilmington, Delaware, on Friday, April 24, 2009 at 10:00 a.m., local time, and any adjournments thereof, as indicated on the proposals described in the Proxy Statement, and all other matters properly coming before the meeting.

Name or Address Changes and/or Comments:

(If you noted any name or address changes and/or comments above, please mark corresponding box on the reverse side.)

IMPORTANT - THIS PROXY MUST BE SIGNED AND DATED ON THE REVERSE SIDE