

Allied World Assurance Co Holdings, AG  
Form 10-Q  
May 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32938

**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG**

(Exact Name of Registrant as Specified in Its Charter)

**Switzerland**  
(State or Other Jurisdiction of

Incorporation or Organization)

**Lindenstrasse 8**

**98-0681223**  
(I.R.S. Employer

Identification No.)

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**6340 Baar**

**Zug, Switzerland**

*(Address of Principal Executive Offices and Zip Code)*

**41-41-768-1080**

*(Registrant's Telephone Number, Including Area Code)*

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 1, 2012, 36,357,812 common shares were outstanding.

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as of March 31, 2012 and December 31, 2011

(Expressed in thousands of United States dollars, except share and per share amounts)

	As of March 31, 2012	As of December 31, 2011
<b>ASSETS:</b>		
Fixed maturity investments available for sale, at fair value (amortized cost: 2012: \$40,674; 2011: \$226,397)	\$ 44,250	\$ 244,016
Fixed maturity investments trading, at fair value (amortized cost: 2012: \$6,156,050; 2011: \$6,207,991)	6,271,237	6,254,686
Equity securities trading, at fair value (cost: 2012: \$424,617; 2011: \$356,370)	459,639	367,483
Other invested assets trading, at fair value	522,065	540,409
Total investments	7,297,191	7,406,594
Cash and cash equivalents	825,986	633,996
Restricted cash	287,113	82,608
Insurance balances receivable	748,137	652,158
Prepaid reinsurance	214,702	226,721
Reinsurance recoverable	1,056,780	1,002,919
Accrued investment income	33,452	38,263
Net deferred acquisition costs	125,645	100,334
Goodwill	268,376	268,376
Intangible assets	53,264	53,898
Balances receivable on sale of investments	367,997	580,443
Net deferred tax assets	19,171	22,646
Other assets	58,464	53,202
Total assets	\$ 11,356,278	\$ 11,122,158
<b>LIABILITIES:</b>		
Reserve for losses and loss expenses	\$ 5,331,418	\$ 5,225,143
Unearned premiums	1,253,454	1,078,412
Reinsurance balances payable	93,262	124,539
Balances due on purchases of investments	546,791	616,728
Senior notes	798,014	797,949
Dividends payable	13,795	14,302
Accounts payable and accrued liabilities	73,723	116,063
Total liabilities	\$ 8,110,457	\$ 7,973,136
<b>SHAREHOLDERS EQUITY:</b>		
Common shares: 2012: par value CHF 13.69 per share and 2011: par value CHF 14.03 per share (2012: 40,003,642; 2011: 40,003,642 shares issued and 2012: 36,786,067; 2011: 37,742,131 shares outstanding)	543,452	557,153

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Additional paid-in capital	48,003	78,225
Treasury shares, at cost (2012: 3,217,575; 2011: 2,261,511)	(201,865)	(136,590)
Retained earnings	2,853,906	2,635,750
Accumulated other comprehensive income: net unrealized gains on investments, net of tax	2,325	14,484
<b>Total shareholders' equity</b>	<b>3,245,821</b>	<b>3,149,022</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,356,278</b>	<b>\$ 11,122,158</b>

See accompanying notes to the consolidated financial statements.

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**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME (LOSS)**

for the three months ended March 31, 2012 and 2011

(Expressed in thousands of United States dollars, except share and per share amounts)

	Three Months Ended March 31,	
	2012	2011
<b>REVENUES:</b>		
Gross premiums written	\$ 680,929	\$ 560,688
Premiums ceded	(91,976)	(79,817)
Net premiums written	588,953	480,871
Change in unearned premiums	(187,063)	(145,995)
Net premiums earned	401,890	334,876
Net investment income	47,209	50,208
Net realized investment gains	133,581	50,376
	582,680	435,460
<b>EXPENSES:</b>		
Net losses and loss expenses	225,202	304,452
Acquisition costs	47,138	38,082
General and administrative expenses	70,366	67,956
Amortization and impairment of intangible assets	633	767
Interest expense	13,756	13,742
Foreign exchange gain	(81)	(442)
	357,014	424,557
Income before income taxes	225,666	10,903
Income tax expense	7,510	2,283
<b>NET INCOME</b>	218,156	8,620
Other comprehensive loss:		
Unrealized losses on investments arising during the period net of applicable deferred income tax benefit for the three months ended March 31, 2012: \$28; 2011: \$964	(52)	(8,044)
Reclassification adjustment for net realized investment gains included in net income, net of applicable income tax	(12,107)	(16,128)
Other comprehensive loss	(12,159)	(24,172)
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 205,997</b>	<b>\$ (15,552)</b>

**PER SHARE DATA**

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Basic earnings per share	\$	5.86	\$	0.23
Diluted earnings per share	\$	5.70	\$	0.21
Weighted average common shares outstanding		37,205,166		38,199,867
Weighted average common shares and common share equivalents outstanding		38,284,635		40,383,523
Dividends paid per share	\$	0.375	\$	

See accompanying notes to the consolidated financial statements.

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**Table of Contents****ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

for the three months ended March 31, 2012 and 2011

(Expressed in thousands of United States dollars)

	Share Capital	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Income	Retained Earnings	Total
December 31, 2011	\$ 557,153	\$ 78,225	\$ (136,590)	\$ 14,484	\$ 2,635,750	\$ 3,149,022
Net income					218,156	218,156
Dividends - par value reduction	(13,701)					(13,701)
Other comprehensive loss				(12,159)		(12,159)
Stock compensation		(30,222)	27,748			(2,474)
Share repurchases			(93,023)			(93,023)
March 31, 2012	\$ 543,452	\$ 48,003	\$ (201,865)	\$ 2,325	\$ 2,853,906	\$ 3,245,821
December 31, 2010	\$ 600,055	\$ 170,239	\$ (112,811)	\$ 57,135	\$ 2,361,202	\$ 3,075,820
Net income					8,620	8,620
Other comprehensive loss				(24,172)		(24,172)
Stock compensation		(41,453)	45,758			4,305
Share repurchase			(60,000)			(60,000)
Repurchase of founder warrants		(53,620)				(53,620)