

ALLIED WORLD ASSURANCE CO HOLDINGS LTD

Form FWP

May 15, 2007

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**Filed Pursuant to Rule 433
Registration No. 333-135464**

The issuer has filed a Market-Making Prospectus with the U.S. Securities and Exchange Commission (SEC) for the public offering of the issuer's 7.50% senior notes due 2016, which closed on July 26, 2006. Goldman, Sachs & Co. is continuing to make a market in the senior notes pursuant to the Market-Making Prospectus. Before you invest in the issuer's senior notes, you should read the Market-Making Prospectus and other documents the issuer has filed with the SEC for more complete information about the issuer and an investment in its senior notes. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, you may obtain a copy of the Market-Making Prospectus if you so request by calling Goldman, Sachs & Co. toll-free at 1-866-471-2526.

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

FORM 8-K

Current Report

**Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): May 14, 2007
ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
(Exact Name of Registrant as Specified in Charter)**

Bermuda
(State or Other Jurisdiction
of Incorporation)

001-32938
(Commission File Number)

98-0481737
(I.R.S. Employer
Identification No.)

**27 Richmond Road
Pembroke HM 08, Bermuda**
(Address of Principal Executive Offices and Zip Code)
Registrant's telephone number, including area code: (441) 278-5400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 7.01. Regulation FD Disclosure.

Beginning on May 15, 2007, the Chief Executive Officer and the Chief Financial Officer of Allied World Assurance Company Holdings, Ltd (the Company) will present to various investors the information about the Company described in the slides attached to this report as Exhibit 99.1. The slides set forth in Exhibit 99.1 are incorporated by reference herein. The information in Item 7.01 of this report is being furnished, not filed, pursuant to Regulation FD. Accordingly, the information in Item 7.01 of this report will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference. The furnishing of the information in this report is not intended to, and does not, constitute a determination or admission by the Company that the information in this report is material or complete, or that investors should consider this information before making an investment decision with respect to any security of the Company.

Safe Harbor for Forward-Looking Statements

The presentation in Exhibit 99.1 may contain forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that involve inherent risks and uncertainties. Statements that are not historical facts, including statements that use terms such as believes, anticipates, intends or expects and that relate to our plans and objectives for future operations, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in Exhibit 99.1 should not be considered as a representation by us or any other person that our objectives or plans will be achieved. These statements are based on current plans, estimates and expectations. Actual results may differ materially from those projected in such forward-looking statements and therefore you should not place undue reliance on them. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes the following: (a) the effects of competitors pricing policies, and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products; (b) the effects of investigations into market practices, in particular insurance brokerage practices, together with any legal or regulatory proceedings, related settlements and industry reform or other changes arising therefrom; (c) the impact of acts of terrorism and acts of war; (d) greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices have anticipated; (e) increased competition due to an increase in capacity of property and casualty insurers or reinsurers; (f) the inability to obtain or maintain financial strength ratings by one or more of the company s subsidiaries; (g) the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time; (h) the company or one of its subsidiaries becoming subject to significant income taxes in the United States or elsewhere; (i) changes in regulations or tax laws applicable to the company, its subsidiaries, brokers or customers; (j) changes in the availability, cost or quality of reinsurance or retrocessional coverage; (k) loss of key personnel; (l) changes in general economic conditions, including inflation, foreign currency exchange rates, interest rates and other factors that could affect the company s investment portfolio; and (m) such other risk factors as may be discussed in our most recent documents on file with the U.S. Securities and Exchange Commission. We are under no obligation (and expressly disclaim any such obligation) to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit

Number Description

99.1 Slides from presentation by management

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ALLIED WORLD ASSURANCE COMPANY
HOLDINGS, LTD**

Dated: May 14, 2007

By: /s/ Wesley D. Dupont

Name: Wesley D. Dupont

Title: Senior Vice President and General Counsel

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EXHIBIT INDEX

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Exhibit 99.1

INVESTOR PRESENTATION 1st Quarter, 2007

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Forward Looking Statements & Safe Harbor This presentation contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are forward-looking statements . In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as may, might, will, should, expect, plan, intend, estimate, anticipate, believe, predict, potential or continue or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this presentation are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, there can be no assurance that the forward-looking statements included in this presentation will prove to be accurate or correct. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this presentation might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements that may be made from time to time. We are under no obligation (and expressly disclaim any such obligation) to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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Strong Stock Performance Since July 2006 IPO Relative Stock Price Comparison Daily from July 12, 2006 to May 09, 2007

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A Five Year Old Franchise Allied World is a leading Bermuda based property and casualty insurer and reinsurer A maturing company that has generated strong results since inception Track record of organic premium growth Diversified mix of business with strong operating platforms in Bermuda, Europe and the U.S. Strategic focus on direct insurance and casualty risks Complementary reinsurance and direct property books of business Risk management culture Balancing expected returns with capital preservation is primary objective Controls and authorities are developed centrally and understood globally by all employees Manage property catastrophe exposure for a 1-in-250-year event to about 10% of total capital Prudent reserving practices have been a hallmark of Allied World since inception Excellent capitalization and strong financial flexibility Capital base of \$2.9 billion with debt to capital ratio under 20% Conservative investment base in excess of \$6 billion and generating significant returns Industry leading executive management team Low cost operating structure Strong financial strength and debt ratings

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Building for Our Future As proud as we are of our accomplishments, we are really more excited about our future Allied World has established a strong foundation Experienced Board of Directors Successful Initial Public Offering in July 2006 Completely independent IT systems and support functions New Bermuda Headquarters Centralized 4 Bermuda offices into our new corporate headquarters Allied World is one of the largest insurance company employers in Bermuda New Brand Identity Revamped our brand elements including our logo and website Reflective of our corporate culture which is a blend of contemporary and conservative values Strategic decision to better communicate brand attributes and enhance our position in the marketplace Growth in Non-Bermuda Operations U.S. operating platform has expanded and entered program business including recently announced Program Manager Agreement with C.V. Starr. European operations premiums grew by 5% in 2006 and opened a Box at Lloyd s

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Strong Growth Since Inception Gross Premiums Rigorous focus on profitability (\$MM) 4.8% decline on underwriting year basis in Q1 2007 Maintaining underwriting discipline as market softens in 2007 in most lines and geographies With the diverse lines we offer and our global operating platforms, Allied World is nimble and can quickly access market opportunities as they develop Strong existing relationships with distribution:

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Geographic Strategy

| | | | |
|---|---|--------------------------------------|---|
| Bermuda | Europe | United States Corporate Headquarters | Dublin and |
| London | New York, Boston, Chicago & San Francisco | 162 Employees at 12/06 | 46 Employees at 12/06 |
| 71 Employees at 12/06 | \$1.2 billion GPW in 2006 | \$279 million GPW in 2006 | \$172 million GPW in 2006 |
| Direct property and casualty for North | Direct property and casualty insurance | Direct | property and casualty for middle American Fortune 1000 companies. for large European and international market and non-Fortune 1000 Treaty & facultative reinsurance accounts. |
| companies. Generally do business on primarily for U.S. exposures. E&S basis but adding admitted capability. | | | |

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Diversified Portfolio Allied World has a diversified book of business that allows it to target product lines based on market conditions Long term strategy has been to emphasize insurance and casualty lines

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Leading Specialty Casualty Operation STRENGTHS AND STRATEGY Emphasis on specialty excess lines Lead player in middle excess layers Ground-up underwriting approach is a key strength Results in preferred market position Diversified risk portfolio General casualty covers complex risks in variety of industries and territories Professional liability covers D&O, employment practices, fiduciary and E&O Healthcare covers hospitals, long term care facilities and managed care OUTLOOK Competition is increasing and rates continue to decline, however rates remain adequate and terms and conditions are holding

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Leading Bermuda Direct Property Operation STRENGTHS AND STRATEGY Leading direct writer of primary property insurance in Bermuda Solely commercial accounts No direct impact from Florida legislation Opportunistic approach Allied World's franchise helps maintain client loyalty Capacity Claims handling Ability to offer other product lines Manage line size and overall exposure Reduction in low-return energy accounts OUTLOOK Competition increasing but margins still particularly attractive for catastrophe exposed business Insured's deductible levels have remained stable * Excludes \$105mm and \$287mm cat

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Flexible Reinsurance Operation STRENGTHS AND STRATEGY Targeted to represent about 1/3rd of portfolio on a written basis Focused on E&S and specialty lines Complements insurance book Reduces concentration of risk Provides ability to react quickly to changing market conditions Only dedicated Bermuda casualty facultative operation Opportunistically provide ILW contracts OUTLOOK Stable property market in U.S. and for most global catastrophe business which offers continued profit opportunities Softening of underlying professional liability and general casualty pricing has necessitated shift to providing more XOL covers where market opportunities are more attractive * Excludes \$82mm and \$245mm cattively losses

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1st Quarter 2007 Financial Highlights Results 16% net income growth over prior year \$113.9 million compared to \$98.1 in 1st quarter 2006 Operating income in quarter \$120.4 million, or \$2.00 per diluted share Record Investment Income \$72.6 million Diluted Book Value Per Share Increased 29.8% on annualized basis to \$37.89 at 3/07 Expense Ratio 21.8% for quarter reflecting increased compensation expenses and reduced premium writings Combined ratio of 79.7% which benefited by 9.1 points from favorable reserve development Production Gross written premiums declined by 12% primarily due to upward premium adjustments in reinsurance segment in 1st quarter 2006 4.8% decline on underwriting year basis reflecting response to softening market conditions including non-renewal of business that did not meet underwriting requirements, increased competition and decreasing rates Consistency 5th straight quarter with operating income in excess of \$100 million 5th straight quarter with annualized net income and operating return on average equity in excess of 20% 4th straight quarter with combined ratio under 80% Capital and Assets Capital base increased to over \$2.9 billion as of March 31, 2007 Invested asset base in excess of \$6.2 billion

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13 Segment Results First Quarter 2007 & 2006

| Three Months Ended March 31, 2007 | | | | Property | Casualty | Reinsurance | Total Gross |
|-----------------------------------|--|--------------------------------|--|----------------------------|-----------------------|------------------------------|--------------------------------|
| premiums written | \$101,865 | \$125,189 | \$211,352 | \$438,406 | Net premiums written | 46,132 | 100,645 |
| 357,844 | Net premiums earned | 44,491 | 124,409 | 117,666 | 286,566 | Net losses and loss expenses | (6,865) |
| (90,367) | (68,763) | (165,995) | Acquisition costs | (332) | (6,038) | (22,826) | (29,196) |
| | General and administrative | expenses | (7,757) | (15,307) | (10,139) | (33,203) | Underwriting income |
| | 29,537 | 12,697 | 15,938 | 58,172 | Net investment income | 72,648 | Net realized investment losses |
| | (6,484) | Interest expense | (9,374) | Foreign exchange loss | (32) | Income before income taxes | \$114,930 |
| | GAAP Ratios: Loss and loss expense ratio | 15.4% | 72.6% | 58.4% | 57.9% | Acquisition cost ratio | 0.8% |
| | 4.9% | 19.4% | 10.2% | General and administrative | expense ratio | 17.4% | 12.3% |
| | 8.6% | 11.6% | Combined ratio | 33.6% | 89.8% | 86.4% | 79.7% |
| | Three Months Ended March 31, 2006 | Property | Casualty | Reinsurance | Total Gross | premiums written | \$119,819 |
| | \$130,494 | \$247,807 | \$498,120 | Net premiums written | 67,197 | 114,194 | 246,112 |
| | 427,503 | Net premiums earned | 49,102 | 131,982 | 127,859 | 308,943 | Net losses and loss expenses |
| | (33,319) | (97,603) | (75,038) | (205,960) | Acquisition costs | 1,481 | (9,319) |
| | (28,634) | (36,472) | General and administrative | expenses | (5,115) | (9,862) | (5,345) |
| | (20,322) | Underwriting income | 12,149 | 15,198 | 18,842 | 46,189 | Net investment income |
| | 62,001 | Net realized investment losses | (5,236) | Interest expense | (6,451) | Foreign exchange loss | (545) |
| | Income before income taxes | \$95,958 | GAAP Ratios: Loss and loss expense ratio | 67.9% | 73.9% | 58.7% | 66.7% |
| | Acquisition cost ratio | (3.0%) | 7.1% | 22.4% | 11.8% | General and administrative | expense ratio |
| | 10.4% | 7.5% | 4.2% | 6.6% | Combined ratio | 75.3% | 88.5% |
| | 85.3% | 85.1% | | | | | |

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Strong Underwriting Performance = Strong Results Gross Premiums Written by Segment (\$MM)
Underwriting Ratios and Annualized Operating Return on Average Equity

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Prudent Reserving Philosophy · Reserves above mid-point of range Favorable reserve development in each of the last 4 years 80% of net reserves are IBNR Net Loss Reserves at MarchMix Adequacy Range
erves at of Net Res

| | | | | | | |
|------------|-------------------|-------------|---------------|-------------|----------|-------------|
| Carried | Estimate Reserves | Low | High Property | 381 295 444 | Casualty | 1,758 1,312 |
| 2,031 2007 | Reinsurance | 855 573 997 | | | | |

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Non-Catastrophe Reserve Efficient Operating Structure Greater percentage of direct business results in lower acquisition ratio Flat, streamlined management structure Prudent expense management culture Underwriting Expense Ratios 1All Bermuda Companies Average includes Platinum, Montpelier, Axis, ACE, Arch, Endurance, Aspen, r Re, Renaissance Re,XL Capital, Everest 2Class of 2001 Average includes ce, Aspen, Platinum, expense ratios for Arch, Montpelier, and Axis. Enduran

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Investment Income Momentum Growth in investment income is driven by and growth in invested Strong
Cash Flows = Increased Asset Base (\$Billion) Increased Asset Base = Greater Investment Returns

Portfolio Yield 4.4% 3.7% 3.5% 3.9% 4.5% 4.3% 4.7% Paid Loss Ratio 1.0% 18.5% 15.3% 33.8%
38.6% 44.8% 41.6%

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Investment Portfolio Conservative, with diversified fixed-income portfolio: 99% investment grade fixed income securities 79% of fixed income portfolio is rated AAA Portfolio reviewed for correlation with underwriting portfolio Portfolio Summary as of 3/31/2007

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Capital Management Our capital management strategy is to preserve sufficient capital to support our business plan and future growth while maintaining conservative financial leverage and earnings coverage ratios Over \$800 million in capital was raised in July 2006 Total Capitalization (\$MM)

Debt to Total Capital Ratio 0.00% 25.7% 18.4% 17.5% Fixed Charge Coverage (9.0)x 14.7x 13.2x
(Interest + Preferred)

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Strong Financial Position Strong capitalization levels Prudent investment management strategy
Conservative financial leverage Low operating leverage Conservative reserving practices Highly-rated
reinsurance partners No legacy liabilities \$2.9 billion as of March 31, 2006 AA average invested asset
rating Debt / capital ratio well below 20% Rolling 12 month NPW/adjusted capital of 0.53x Net positive
reserve development in each of the last four years and first quarter 2007 96% of ceded case reserves from
counterparties rated A- or better by A.M. Best Founded in November 2001, not encumbered by
pre-existing exposures

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Conclusion Allied World expects to generate a mid-to-high teen ROE, assuming normalized catastrophe activity Strong underwriting franchise diversified by product and geography Solid 5 year operating history Seasoned, profitable book of business Proven risk management expertise Excellent capitalization, strong balance sheet and financial flexibility Stable industry leading management team Low cost operating structure Strong financial strength and debt ratings Investment income strength

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