

ALLIED WORLD ASSURANCE CO HOLDINGS LTD

Form FWP

December 03, 2007

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): November 27, 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))

Item 1.01. Entry into a Material Definitive Agreement.

On November 27, 2007 (the Effective Date), Allied World Assurance Company Holdings, Ltd (Holdings) and Allied World Assurance Company, Ltd, a subsidiary of Holdings (the Company), entered into a five-year \$800 million senior credit facility comprised of (i) a \$400 million unsecured facility for the making of revolving loans and for the issuance of standby letters of credit (the Unsecured Facility); and (ii) a \$400 million secured facility for the issuance of standby letters of credit (the Secured Facility , and together with the Unsecured Facility, the Facilities). The aggregate commitments of \$400 million under each of the Facilities may be increased by up to \$200 million by Holdings and the Company with the agreement of the lenders a party thereto (such aggregate commitments, whether or not so increased, the Commitments). Bank of America Securities LLC and Wachovia Capital Markets, LLC acted as joint lead arrangers and joint bookrunners for the Facilities.

In connection with entering into the Facilities, Holdings and the Company entered into two Credit Agreements, each dated as of the Effective Date, with the lenders a party thereto, Bank of America, N.A., as syndication agent, and Wachovia Bank, National Association, as administrative agent, fronting bank and letter of credit agent. The Credit Agreement for the Unsecured Facility is referred to herein as the Unsecured Credit Agreement , the Credit Agreement for the Secured Facility is referred to herein as the Secured Credit Agreement and the Unsecured Credit Agreement and the Secured Credit Agreement are each referred to herein as a Credit Agreement or collectively as the Credit Agreements . Capitalized terms used but not defined herein have the meanings ascribed to such terms in the applicable Credit Agreement.

Borrowings under the Unsecured Credit Agreement may be used for general corporate purposes, including for the issuance of any letters of credit, and the letters of credit issued under the Secured Credit Agreement are generally available to the Company to support its obligations, including those obligations under reinsurance agreements. Borrowings under the Unsecured Credit Agreement may be Base Rate Loans, which generally bear interest at the higher of (i) the prime rate of Wachovia Bank, National Association and (ii) the Federal Funds Rate plus 0.5% per annum, or LIBOR Loans, which generally bear interest at the LIBOR Rate plus an applicable percentage ranging from between 0.25% to 0.55% based upon the higher of Holdings non-credit-enhanced, senior unsecured long-term debt ratings issued by either Moody s Investors Service, Inc. or Standard & Poor s Ratings Service (the Debt Rating). Each Credit Agreement requires that all loans shall be repaid in full no later than the fifth anniversary of the Effective Date, and all letters of credit shall be issued no later than seven days prior to such fifth anniversary, with expiry one year later.

Holdings and the Company will pay customary arrangement and administration fees as well as customary administrative charges to the issuer of any letter of credit under the Credit Agreements. Under the Unsecured Credit Agreement, a utilization fee at a per annum rate of either 0.05% to 0.10% (based upon the Debt Rating) of the average daily aggregate outstanding principal amount of loans outstanding is payable for each day such principal amount is greater than 50% of the aggregate Commitments then in effect. A fee is payable on letters of credit issued based on the average daily aggregate amount available to be drawn under the respective Credit Agreements. For letters of credit issued under the Unsecured Credit Agreement, the per annum rate of this fee ranges from between 0.25% to 0.55% (based upon the Debt Rating) and for letters of credit issued under the Secured Credit Agreement, the per annum rate of this fee is 0.25%. A commitment fee based on the average daily aggregate unutilized Commitments is payable at a per annum rate ranging from between 0.06% to .125% (based upon the Debt Rating) under the Unsecured Credit Agreement and 0.06% under the Secured Credit Agreement.

Each Credit Agreement contains representations, warranties and covenants customary for similar bank loan facilities, including a covenant under the Credit Agreements to maintain a ratio of Consolidated Indebtedness to Total Capitalization as of the last day of each fiscal quarter or fiscal year of not greater than 0.35 to 1.0 and a covenant under the Unsecured Credit Agreement to maintain at all times a certain minimum Consolidated Net Worth. In addition, each Material Insurance Subsidiary must maintain a financial strength rating from A.M. Best Company of at least A- under the Unsecured Credit Agreement and of at least B++ under the Secured Credit Agreement.

The Credit Agreements have customary Events of Default, including (subject to certain materiality thresholds and grace periods) payment defaults; failure to comply with certain specified covenants; material inaccuracy of any representation or warranty; cross-defaults to other material debt or hedging obligations; bankruptcy, liquidation or solvency proceedings; the issuance of any orders of conservation or supervision with respect to any Material Insurance Subsidiary; and certain change in control events. Under the Secured Credit Agreement, the failure of any security document to be in full force and effect or the failure of any such security document to provide a valid and perfected security interest in the collateral covered thereby shall also be an Event of Default.

Under the Secured Facility, the letters of credit will be secured pursuant to a Pledge and Security Agreement, dated as of the Effective Date, between the Company and Wachovia Bank, National Association (the Pledge and Security Agreement). An Account Control Agreement, dated as of the Effective Date, among the Company, as pledgor; Mellon Bank, N.A., as custodian; and Wachovia Bank, National Association; as administrative agent for the lenders under the Secured Credit Agreement (the Account Control Agreement), has been entered into in order for the secured parties to perfect their security interest in the applicable accounts and to the financial assets contained therein.

As of the Effective Date, that certain credit agreement, dated as of December 31, 2003, as amended on January 11, 2005 and December 31, 2005, between the Company and Barclays Bank Plc (Barclays), pursuant to which Barclays extended to the Company a \$250 million Letter of Credit Facility, was terminated and all outstanding letters of credit issued thereunder were transferred to the Secured Facility. Barclays serves as the fronting bank for such transferred letters of credit.

Certain of the lenders and their affiliates have in the past performed, and may in the future from time to time perform, investment banking, financial advisory, lending and/or commercial banking services, or other services to Holdings and its subsidiaries, for which they have received, and may in the future receive, customary compensation and expense reimbursement.

The foregoing description of the Unsecured Credit Agreement, the Secured Credit Agreement, the Pledge and Security Agreement and the Account Control Agreement are qualified in their entirety by reference to the respective agreements filed herewith, which are attached hereto as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively, and are incorporated herein by reference.

Item 1.02. Termination of a Material Definitive Agreement.

The information included pursuant to Item 1.01 is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information included pursuant to Item 1.01 is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit

Number Description

- 10.1 Credit Agreement, dated as of November 27, 2007, by and among Allied World Assurance Company Holdings, Ltd, Allied World Assurance Company, Ltd, the lenders a party thereto, Bank of America, N.A., as syndication agent, and Wachovia Bank, National Association, as administrative agent, fronting bank and letter of credit agent under the Unsecured Senior Revolving Credit Facility.
- 10.2 Credit Agreement, dated as of November 27, 2007, by and among Allied World Assurance Company Holdings, Ltd, Allied World Assurance Company, Ltd, the lenders a party thereto, Bank of America, N.A., as syndication agent, and Wachovia Bank, National Association, as administrative agent, fronting bank and letter of credit agent under the Senior Secured Letter of Credit Facility.
- 10.3 Pledge and Security Agreement, dated as of November 27, 2007, by and between Allied World Assurance Company, Ltd, as pledgor, and Wachovia Bank, National Association, as administrative agent.
- 10.4 Account Control Agreement, dated November 27, 2007, by and among Allied World Assurance Company, Ltd, as pledgor, Mellon Bank, N.A., as custodian, and Wachovia Bank, National Association, as administrative agent.

SIGNATURE

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: December 3, 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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CREDIT AGREEMENT
among
ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
and
ALLIED WORLD ASSURANCE COMPANY, LTD,
as the Borrowers,
The LENDERS Party Hereto,
BANK OF AMERICA, N.A.,
as Syndication Agent
and
WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Fronting Bank and L/C Agent
\$400,000,000 Unsecured Senior Revolving Credit Facility
BANC OF AMERICA SECURITIES LLC
and
WACHOVIA CAPITAL MARKETS, LLC,
as Joint Lead Arrangers and Joint Bookrunners
Dated as of November 27, 2007

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of November 27, 2007, is made among **ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD**, an exempted company incorporated in Bermuda (Holdings), **ALLIED WORLD ASSURANCE COMPANY, LTD**, an exempted company incorporated in Bermuda (Allied World), and together with Holdings, the Borrowers, the Lenders party hereto, **BANK OF AMERICA, N.A.**, as Syndication Agent for the Lenders and **WACHOVIA BANK, NATIONAL ASSOCIATION** (Wachovia), as Administrative Agent, L/C Agent and Fronting Bank for the Lenders.

RECITALS

The Borrowers have requested that the Lenders make available to the Borrowers a revolving credit facility for the making of revolving loans and for the issuance of standby letters of credit for the account of the Borrowers in the aggregate principal amount of \$400,000,000.

The Lenders are willing to make available to the Borrowers the credit facilities provided for herein subject to and on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual provisions, covenants and agreements herein contained, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Defined Terms. For purposes of this Agreement, in addition to the terms defined elsewhere herein, the following terms shall have the meanings set forth below (such meanings to be equally applicable to the singular and plural forms thereof):

Account Designation Letter means a letter from any Borrower to the Administrative Agent, duly completed and signed by an Authorized Officer of such Borrower and in form and substance reasonably satisfactory to the Administrative Agent, listing any one or more accounts to which such Borrower may from time to time request the Administrative Agent to forward the proceeds of any Loans made hereunder.

Acquisition means any transaction or series of related transactions, consummated on or after the date hereof, by which any Borrower directly, or indirectly through one or more Subsidiaries, (i) acquires any going business, division thereof or line of business, or all or substantially all of the assets, of any Person, whether through purchase of assets, amalgamation, merger or otherwise, or (ii) acquires securities or other ownership interests of any Person having at least a majority of combined voting power of the then outstanding securities or other ownership interests of such Person.

Additional Lender has the meaning given to such term in **Section 2.19(a)**.

Adjusted LIBOR Rate means, at any time with respect to any LIBOR Loan, a rate per annum equal to the LIBOR Rate as in effect at such time plus the Applicable Percentage for LIBOR Loans as in effect at such time.

Administrative Agent means Wachovia, in its capacity as Administrative Agent appointed under **Section 10.1**, and its successors and permitted assigns in such capacity.

Administrative Questionnaire means, with respect to each Lender, the administrative questionnaire in the form submitted to such Lender by the Administrative Agent.

Affiliate means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. Notwithstanding the foregoing, none of the Administrative Agent, the L/C Agent, any Fronting Bank nor any Lender shall be deemed an Affiliate of any Borrower.

Aggregate Commitments means the Commitments of all the Lenders.

Agreement means this Credit Agreement, as amended, restated, modified or supplemented from time to time.

Annual Statement means, with respect to any Insurance Subsidiary for any fiscal year, the annual financial statements of such Insurance Subsidiary as required to be filed with the Insurance Regulatory Authority of its jurisdiction of domicile and in accordance with the laws of such jurisdiction, together with all exhibits, schedules, certificates and actuarial opinions required to be filed or delivered therewith.

Applicable Percentage means, for any day, with respect to (i) the Commitment Fee, (ii) the applicable margin to be added to the LIBOR Rate for purposes of determining the Adjusted LIBOR Rate, (iii) the Letter of Credit Fee and (iv) the Utilization Fee, the applicable rate per annum set forth below under the caption Commitment Fee , Applicable Margin for LIBOR Loans/Letter of Credit Fee , and Utilization Fee , respectively, in each case based upon the non-credit-enhanced, senior unsecured long-term debt rating of Holdings (the Debt Rating) by Moody's or Standard & Poor's (in each case, except as expressly set forth below, based upon the higher of the two ratings):

Level	Standard & Poor's / Moody's Rating	Commitment Fee	Applicable Margin for LIBOR Loans/ Letter of Credit Fee	Utilization Fee
I	A/ A2 or above	.06%	.25%	.05%
II	A-/ A3	.07%	.30%	.05%
III	BBB+/Baa1	.08%	.35%	.05%
IV	BBB/Baa2	.10%	.45%	.10%
V	Less than BBB/Baa2	.125%	.55%	.10%

For purposes of the foregoing, (i) if at any time the difference between the Debt Rating by Moody's and Standard & Poor's is more than one rating grade, the rating one level above the lower rating will apply, (ii) if either Moody's or Standard & Poor's (but not both) shall not have in effect such a Debt Rating, then the Applicable Percentage shall be based upon the remaining rating, and (iii) each change in the Applicable Percentage shall be effective as of the date the applicable rating agency first publicly announces any change in its Debt Rating; provided, however, that, notwithstanding the foregoing or anything else herein to the contrary, if at any time an Event of Default shall have occurred and be continuing or neither Moody's nor Standard & Poor's has made available a Debt Rating, at all times from and including the date on which such Event of Default occurred or such Debt Rating is not available, as the case may be, to the date on which such Event of Default shall have been cured or waived or either Moody's or Standard & Poor's shall make publicly available such Debt Rating, as the case may be, each Applicable Percentage shall be determined in accordance with Level V of the above matrix (notwithstanding the actual level).

Approved Fund means any Fund that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender, or (iii) a Person (or an Affiliate of a Person) that administers or manages a Lender.

Assignment and Assumption means an Assignment and Assumption entered into by a Lender and an Eligible Assignee (with the consent of any Person whose consent is required by **Section 11.6(b)**), and accepted by the Administrative Agent, in substantially the form of **Exhibit E** or any other form approved by the Administrative Agent.

Authorized Officer means, with respect to any action specified herein to be taken by or on behalf of any Borrower, any officer of such Borrower duly authorized by resolution of the

board of directors or other governing body of such Borrower to take such action on its behalf, and whose signature and incumbency shall have been certified to the Administrative Agent by the secretary or an assistant secretary of such Borrower.

Availability Period means the period from and including the Closing Date to the Commitment Termination Date.

Bankruptcy Code means 11 U.S.C. §§101 et seq., as amended from time to time, and any successor statute.

Bankruptcy Event means the occurrence of an Event of Default pursuant to **Section 9.1(f)** or **Section 9.1(g)**.

Base Rate means the higher of (i) the per annum interest rate publicly announced from time to time by Wachovia in Charlotte, North Carolina, to be its prime rate (which may not necessarily be its lowest or best lending rate), as adjusted to conform to changes as of the opening of business on the date of any such change in such prime rate, and (ii) the Federal Funds Rate plus 0.5% per annum, as adjusted to conform to changes as of the opening of business on the date of any such change in the Federal Funds Rate.

Base Rate Loan means, at any time, any Loan that bears interest at such time at the Base Rate.

Borrower means any of Holdings and Allied World, as the context may require, and Borrowers means all of the foregoing.

Borrowing means the incurrence by a Borrower (including as a result of conversions or continuations of outstanding Loans pursuant to **Section 2.10**) on a single date of a group of Loans pursuant to **Section 2.2** of a single Type and, in the case of LIBOR Loans, as to which a single Interest Period is in effect.

Borrowing Date means, with respect to any Borrowing, the date upon which such Borrowing is made.

Business Day means (i) any day other than a Saturday or Sunday, a legal holiday or a day on which commercial banks in Charlotte, North Carolina, New York, New York or Bermuda are authorized or required by law to be closed and (ii) in respect of any determination relevant to a LIBOR Loan, any such day that is also a day on which trading in Dollar deposits is conducted by banks in the London interbank Eurodollar market.

Capital Lease means, with respect to any Person, any lease of property (whether real, personal or mixed) by such Person as lessee that is or is required to be, in accordance with GAAP, recorded as a capital lease on such Person's balance sheet.

Capital Lease Obligations means, with respect to any Person, the obligations of such Person to pay rent or other amounts under any Capital Lease, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Capital Stock means (i) with respect to any Person that is a corporation, any and all shares, interests or equivalents in capital stock (whether voting or nonvoting, and whether common or preferred) of such corporation and (ii) with respect to any Person that is not a corporation, any and all partnership, membership, limited liability company or other equity interests of such Person.

Cash Collateral Account has the meaning given to such term in **Section 3.7(a)**.

Cash Equivalents means (i) securities issued or unconditionally guaranteed or insured by the United States of America or any agency or instrumentality thereof, backed by the full faith and credit of the United States of America and maturing within one year from the date of acquisition, (ii) commercial paper issued by any Person, maturing within 270 days from the date of acquisition and, at the time of acquisition, having a rating of at least A-1 or the equivalent thereof by Standard & Poor's or at least P-1 or the equivalent thereof by Moody's, (iii) bankers' acceptances, time deposits and certificates of deposit maturing within 270 days from the date of issuance and issued by a bank or trust company organized under the laws of the United States of America or any state thereof (y) that has combined capital and surplus of at least \$500,000,000 or (z) that has (or is a subsidiary of a bank holding company that has) a long-term unsecured debt rating of at least A or the equivalent thereof by Standard & Poor's or at least A2 or the equivalent thereof by Moody's, (iv) repurchase obligations with a term not exceeding thirty (30) days with respect to underlying securities of the types described in clause (i) above entered into with any bank or trust company meeting the qualifications specified in clause (iii) above, and (v) money market funds at least 95% of the assets of which are continuously invested in securities of the foregoing types.

Change in Law means the occurrence, after the Closing Date, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty, (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (iii) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

Claims has the meaning given to such term in the definition of Environmental Claims.

Closing Date has the meaning given to such term in **Section 4.1**.

Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

Commitment means, with respect to any Lender at any time, the commitment of such Lender to make Loans, to issue and/or participate in Letters of Credit in an aggregate principal amount at any time outstanding up to the amount set forth opposite such Lender's name on **Schedule 1.1(a)** under the caption Commitment, or, if such Lender has entered into one or more Assignment and Assumptions, the amount set forth for such Lender at such time in the Register maintained by the Administrative Agent pursuant to **Section 11.6(c)** as such Lender's Commitment, as such amount may be reduced, increased or terminated at or prior to such time pursuant to the terms hereof.

Commitment Fee has the meaning given to such term in **Section 2.9(c)**.

Commitment Increase has the meaning given to such term in **Section 2.19(a)**.

Commitment Increase Date has the meaning given to such term in **Section 2.19(c)**.

Commitment Letter means the commitment letter from the Joint Arrangers to Holdings, dated October 18, 2007, as amended, modified, restated or supplemented from time to time.

Commitment Termination Date means the Maturity Date or such earlier date of termination of the Commitments pursuant to **Section 2.5** or **Section 9.2**.

Compliance Certificate means a fully completed and duly executed certificate in the form of **Exhibit D**, together with a Covenant Compliance Worksheet.

Consolidated Indebtedness means, at any time, the aggregate (without duplication) of all Indebtedness of Holdings and its Subsidiaries (whether or not reflected on the balance sheet of Holdings or any of its Subsidiaries), determined on a consolidated basis in accordance with GAAP, and for the avoidance of doubt shall not include (i) obligations in respect of undrawn letters of credit, and (ii) the obligations of Holdings or any of its Subsidiaries under any Hybrid Equity Securities to the extent that the total book value of such Hybrid Equity Securities does not exceed 15% of Total Capitalization.

Consolidated Net Income means, for any period, Net Income for Holdings and its Subsidiaries for such period and as reflected on the consolidated financial statements of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

Consolidated Net Worth means, at any time, the consolidated shareholders' equity of Holdings and its Subsidiaries determined in accordance with GAAP and as reflected on the consolidated financial statements of Holdings and its Subsidiaries (i) excluding accumulated other comprehensive income (loss) (including any such income (loss) arising from adjustments pursuant to Statement No. 115 of the Financial Accounting Standards Board of the United States of America) and (ii) excluding any Disqualified Capital Stock.

Control means, with respect to any Person, the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms Controlled and Controlling have correlative meanings.

Covenant Compliance Worksheet means a fully completed worksheet in the form of Attachment A to **Exhibit D**.

Credit Documents means this Agreement, the Notes, the Letter of Credit Documents, the provisions of the Commitment Letter regarding the payment of fees that expressly survive the termination thereof (including Annex B thereto), and all other agreements, instruments, documents and certificates now or hereafter executed and delivered to the Administrative Agent or any Lender by or on behalf of any Borrower with respect to this Agreement, in each case as amended, modified, supplemented or restated from time to time.

Credit Exposure means, with respect to any Lender at any time, the amount of the sum of (i) the aggregate principal amount of all Loans made by such Lender that are outstanding at such time and (ii) such Lender's Letter of Credit Exposure at such time.

Credit Extension means either of the following: (i) a Borrowing of Loans and (ii) the Issuance of any Letter of Credit.

Debtor Relief Laws means the Bankruptcy Code of the United States, Part XIII of the Companies Act 1981 of Bermuda, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States, Bermuda or other applicable jurisdictions or of any Insurance Regulatory Authority from time to time in effect and affecting the rights of creditors generally.

Default means any event or condition that, with the passage of time or giving of notice, or both, would constitute an Event of Default.

Defaulting Lender means any Lender that (i) has refused to fund, or otherwise defaulted in the funding of, its Ratable Share of (A) any Borrowing requested and permitted to be made hereunder, (B) any drawing made on any Syndicated Letter of Credit or (C) any participation interest in any Participated Letter of Credit in accordance with the terms hereof, (ii) has failed to pay to the Administrative Agent, any Fronting Bank or any Lender when due an amount owed by such Lender pursuant to the terms of this Credit Agreement, unless such amount is subject to a good faith dispute, or (iii) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official, and such refusal has not been withdrawn or such default has not been cured within three (3) Business Days.

Deloitte means Deloitte & Touche.

Disqualified Capital Stock means, with respect to any Person, any Capital Stock of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event or otherwise, (i) matures or is mandatorily redeemable or subject to any mandatory repurchase requirement, pursuant to a sinking fund obligation or otherwise, (ii) is redeemable or subject to any mandatory repurchase requirement at the sole option of the holder thereof, or (iii) is convertible into or exchangeable for (whether at the option of the issuer or the holder thereof) (a) debt securities or (b) any Capital Stock referred to in (i) or (ii) above, in each case under (i), (ii) or (iii) above at any time on or prior to the first anniversary of the L/C Maturity Date; provided, however, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so redeemable at the option of the holder thereof, or is so convertible or exchangeable on or prior to such date shall be deemed to be Disqualified Capital Stock.

Dollars or \$ means dollars of the United States of America.

Eligible Assignee means (i) a Lender, (ii) an Affiliate of a Lender, (iii) an Approved Fund, and (iv) any other Person (other than a natural person) approved by (y) the Administrative Agent and the Fronting Banks and (z) unless a Default or Event of Default has occurred and is

continuing, Holdings (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, Eligible Assignee shall not include Holdings or any of its Affiliates or Subsidiaries.

Environmental Claims means any and all administrative, regulatory or judicial actions, suits, written notices of noncompliance or violation, investigations by any Governmental Authority or proceedings (collectively, Claims) relating in any way to any actual or alleged violation of or liability under any Environmental Law by Holdings or any of its Subsidiaries in respect of the conduct of their business or the ownership and/or operation of their respective properties, including (i) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from any alleged injury or threat of injury to human health or the environment arising from exposure to, or the release or threatened release of, any Hazardous Substances.

Environmental Laws means any and all federal, state, local and foreign laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, rules of common law and orders of Governmental Authorities, relating to the protection of human health, occupational safety with respect to exposure to Hazardous Substances, or the environment, now or hereafter in effect, and in each case as amended from time to time, including requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Substances.

ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

ERISA Affiliate means any Person (including any trade or business, whether or not incorporated) deemed to be under common control with, or a member of the same controlled group as, Holdings or any of its Subsidiaries, within the meaning of Sections 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

ERISA Event means any of the following with respect to a Plan or Multiemployer Plan, as applicable: (i) a Reportable Event, (ii) a complete or partial withdrawal by Holdings or any ERISA Affiliate from a Multiemployer Plan that results in liability under Section 4201 or 4204 of ERISA, or the receipt by Holdings or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA, (iii) the distribution by Holdings or any ERISA Affiliate under Section 4041 or 4041A of ERISA of a notice of intent to terminate any Plan or the taking of any action to terminate any Plan, (iv) the commencement of proceedings by the PBGC under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by Holdings or any ERISA Affiliate of a notice from any Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, (v) the institution of a proceeding by any fiduciary of any Multiemployer Plan against Holdings or any ERISA Affiliate to enforce Section 515 of ERISA, which is not dismissed within thirty (30) days, (vi) the imposition upon Holdings

or any ERISA Affiliate of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, or the imposition or threatened imposition of any Lien upon any assets of Holdings or any ERISA Affiliate as a result of any alleged failure to comply with the Code or ERISA in respect of any Plan, (vii) the engaging in or otherwise becoming liable for a nonexempt Prohibited Transaction by Holdings or any ERISA Affiliate, (viii) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary of any Plan for which Holdings or any of its ERISA Affiliates may be directly or indirectly liable or (ix) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if Holdings or an ERISA Affiliate fails to timely provide security to such Plan in accordance with the provisions of such sections.

Event of Default has the meaning given to such term in **Section 9.1**.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

Excluded Taxes means, with respect to the Administrative Agent, any Lender, any Fronting Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (i) any taxes imposed on or measured by its overall net income (however denominated), and any franchise taxes and other similar taxes imposed on it (in lieu of taxes imposed on or measured by overall net income), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (ii) any branch profits taxes imposed by the United States or any similar taxes imposed by any other jurisdiction in which any Borrower is located, (iii) in the case of a Foreign Lender (other than an assignee pursuant to a request by Holdings under **Section 2.18(a)**), any withholding tax or deduction of tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with **Section 2.16(e)**, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrowers with respect to such withholding tax or deduction of tax pursuant to **Section 2.16(a)**.

Federal Funds Rate means, for any period, a fluctuating per annum interest rate (rounded upwards, if necessary, to the nearest 1/100 of one percentage point) equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

Federal Reserve Board means the Board of Governors of the Federal Reserve System or any successor thereto.

Final Expiry Date means the date when the Maturity Date has occurred, all Letters of Credit have expired or terminated and all Obligations owing hereunder and in the other Credit Documents have been paid in full.

Financial Officer means, with respect to Holdings, the chief financial officer, vice president finance, principal accounting officer or treasurer of Holdings.

Financial Strength Rating means the financial strength rating issued with respect to any Insurance Subsidiary by A.M. Best Company (or its successor).

Foreign Lender means any Lender that is organized under the laws of a jurisdiction outside the United States.

Foreign Pension Plan means any plan, fund (including any superannuation fund) or other similar program established or maintained outside the United States of America by Holdings or any one or more of its Subsidiaries primarily for the benefit of employees of Holdings or such Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

Fronting Bank means, in its capacity as an issuer of Participated Letters of Credit and in its capacity as a fronting bank on behalf of any Non-NAIC Lender pursuant to **Section 3.1(h)**, (i) Wachovia, and (ii) and any other Lender reasonably acceptable to the Administrative Agent which is requested by Allied World, and which agrees in its sole discretion in writing, to Issue Participated Letters of Credit or be a fronting bank on behalf of any Non-NAIC Lender pursuant to **Section 3.1(h)**, in each case together with their respective successors and permitted assigns in such capacity.

Fund means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

GAAP means generally accepted accounting principles in the United States of America, consistently applied and maintained in effect from time to time (subject to the provisions of **Section 1.2**).

Governmental Authority means the government of the United States of America, Bermuda or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

Guarantor means Holdings in its capacity as a Guarantor under **Article XII**.

Guaranty means the undertakings by Holdings under **Article XII**.

Guaranty Obligation means, with respect to any Person, at the time of determination, any direct or indirect liability of such Person with respect to any Indebtedness, liability or other obligation (the primary obligation) of another Person (the primary obligor), whether or not contingent, (i) to purchase, repurchase or otherwise acquire such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or provide funds (x) for the payment or discharge of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor (including keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements), (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor in respect thereof to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss or failure or inability to perform in respect thereof; provided, however, that, with respect to Holdings and its Subsidiaries, the term Guaranty Obligation shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guaranty Obligation of any guaranteeing Person hereunder shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made and (b) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guaranty Obligation, unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of such Guaranty Obligation shall be such guaranteeing Person's maximum reasonably anticipated liability in respect thereof as determined by such guaranteeing Person in good faith.

Hazardous Substance means any substance or material meeting any one or more of the following criteria: (i) it is designated as a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic substance under any Environmental Law, (ii) it is toxic, explosive, corrosive, ignitable, infectious, radioactive, mutagenic or otherwise hazardous to human health or the environment and is or becomes regulated under any Environmental Law, or (iii) it is or contains, without limiting the foregoing, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or wastes, crude oil, nuclear fuel, natural gas or synthetic gas.

Hedge Agreement means any interest or foreign currency rate swap, cap, collar, option, hedge, forward rate or other similar agreement or arrangement designed to protect against fluctuations in interest rates or currency exchange rates.

Historical Statutory Statements has the meaning given to such term in **Section 5.13(b)**.

Holdings has the meaning given to such term in the introductory paragraph of this Agreement.

Hybrid Equity Securities shall mean any hybrid preferred securities consisting of trust preferred securities, deferrable interest subordinated debt securities, mandatory convertible debt

or other hybrid securities that are shown on the consolidated financial statements of Holdings as liabilities and (i) treated as equity by Standard & Poor's, and (ii) that, by its terms (or by the terms of any security into which it is convertible for or which it is exchangeable) or upon the happening of any event or otherwise, does not mature or is not mandatorily redeemable or is not subject to any mandatory repurchase requirement, at any time on or prior to th