

Allied World Assurance Co Holdings, AG  
Form 10-Q  
October 31, 2016  
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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: September 30, 2016

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 98-0681223  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)  
Gubelstrasse 24, Park Tower, 15th Floor, 6300 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 October 24, 2016, 86,998,341 common shares were outstanding.



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## PART I

## FINANCIAL INFORMATION

## Item 1. Financial Statements.

## ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

as of September 30, 2016 and December 31, 2015

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

	September 30, 2016	December 31, 2015
<b>ASSETS:</b>		
Fixed maturity investments trading, at fair value (amortized cost: 2016: \$7,311.5; 2015: \$7,290.6)	\$ 7,327.3	\$ 7,201.5
Equity securities trading, at fair value (cost: 2016: \$208.0; 2015: \$395.3)	216.1	403.0
Other invested assets	941.7	966.7
Total investments	8,485.1	8,571.2
Cash and cash equivalents	773.8	608.0
Restricted cash	98.9	60.6
Insurance balances receivable	893.3	745.9
Funds held	263.9	640.8
Prepaid reinsurance	448.7	392.3
Reinsurance recoverable	1,550.7	1,480.0
Reinsurance recoverable on paid losses	129.1	96.4
Accrued investment income	37.2	38.3
Net deferred acquisition costs	157.7	165.2
Goodwill	392.8	388.1
Intangible assets	111.1	116.6
Balances receivable on sale of investments	20.3	36.9
Net deferred tax assets	26.3	24.4
Other assets	153.5	147.2
Total assets	\$ 13,542.4	\$ 13,511.9
<b>LIABILITIES:</b>		
Reserve for losses and loss expenses	\$ 6,665.8	\$ 6,456.2
Unearned premiums	1,785.2	1,683.3
Reinsurance balances payable	258.4	214.4
Balances due on purchases of investments	242.4	125.1
Senior notes:		
Principal amount	800.0	1,300.0
Less unamortized discount and debt issuance costs	6.0	7.1
Senior notes, net of unamortized discount and debt issuance costs	794.0	1,292.9
Other long-term debt	23.3	23.0
Accounts payable and accrued liabilities	157.4	184.5
Total liabilities	\$ 9,926.5	\$ 9,979.4
<b>SHAREHOLDERS' EQUITY:</b>		
Common shares: 2016 and 2015: par value CHF 4.10 per share (2016: 93,586,418; 2015: 95,523,230 shares issued and 2016: 86,974,284; 2015: 90,959,635 shares outstanding)	\$ 378.8	\$ 386.7
Treasury shares, at cost (2016: 6,612,134; 2015: 4,563,595)	(237.0)	(155.1)
Accumulated other comprehensive loss	(5.4)	(9.3)
Retained earnings	3,479.5	3,310.2
Total shareholders' equity	3,615.9	3,532.5

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Total liabilities and shareholders' equity	\$ 13,542.4	\$ 13,511.9
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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

for the three and nine months ended September 30, 2016 and 2015

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>REVENUES:</b>				
Gross premiums written	\$730.2	\$ 754.1	\$2,394.1	\$ 2,460.6
Premiums ceded	(201.9 )	(147.1 )	(583.6 )	(477.4 )
Net premiums written	528.3	607.0	1,810.5	1,983.2
Change in unearned premiums	55.7	43.7	(43.4 )	(117.6 )
Net premiums earned	584.0	650.7	1,767.1	1,865.6
Net investment income	50.6	45.7	159.7	133.0
Net realized investment gains (losses)	10.7	(113.6 )	104.0	(88.8 )
Other income	1.8	0.7	7.6	2.5
Total revenue	647.1	583.5	2,038.4	1,912.3
<b>EXPENSES:</b>				
Net losses and loss expenses	376.3	416.9	1,114.1	1,173.6
Acquisition costs	82.0	100.1	257.7	279.4
General and administrative expenses	104.2	105.8	305.3	311.3
Other expense	2.2	1.3	5.0	4.3
Amortization of intangible assets	2.5	2.6	7.5	6.1
Interest expense	13.5	14.5	53.3	43.2
Foreign exchange loss (gain)	1.0	(0.8 )	(4.9 )	10.4
Total expenses	581.7	640.4	1,738.0	1,828.3
Income (loss) before income taxes	65.4	(56.9 )	300.4	84.0
Income tax (benefit) expense	(3.2 )	(5.3 )	4.3	1.8
NET INCOME (LOSS)	68.6	(51.6 )	296.1	82.2
Other comprehensive gain (loss): foreign currency translation adjustment	0.6	(1.0 )	3.9	(4.3 )
COMPREHENSIVE INCOME (LOSS)	\$69.2	\$ (52.6 )	\$300.0	\$77.9
<b>PER SHARE DATA</b>				
Basic earnings (loss) per share	\$0.79	\$ (0.57 )	\$3.34	\$0.88
Diluted earnings (loss) per share	\$0.77	\$ (0.57 )	\$3.29	\$0.87
Weighted average common shares outstanding	87,102,290	90,882,511	88,691,983	93,068,088
Weighted average common shares and common share equivalents outstanding	88,603,100	90,882,511	90,113,606	94,724,980
Dividends paid per share	\$0.26	\$ 0.26	\$0.78	\$0.71

See accompanying notes to the consolidated financial statements.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
 for the nine months ended September 30, 2016 and 2015  
 (Expressed in millions of United States dollars)

	Share Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Total
December 31, 2015	\$386.7	\$(155.1)	\$ (9.3 )	\$3,310.2	\$3,532.5
Net income	—	—	—	296.1	296.1
Dividends	—	—	—	(68.8 )	(68.8 )
Stock compensation	—	17.6	—	0.8	18.4
Share repurchases	—	(166.2 )	—	—	(166.2 )
Shares canceled	(7.9 )	66.7	—	(58.8 )	—
Foreign currency translation adjustment	—	—	-3.9	—	3.9
September 30, 2016	\$378.8	\$(237.0)	\$ (5.4 )	\$3,479.5	\$3,615.9
December 31, 2014	\$408.0	\$(143.1)	\$ —	\$3,513.4	\$3,778.3
Net income	—	—	—	82.2	82.2
Dividends	—	—	—	(68.8 )	(68.8 )
Stock compensation	—	18.4	—	(5.1 )	13.3
Share repurchases	—	(245.3 )	—	—	(245.3 )
Shares canceled	(21.3 )	213.7	—	(192.4 )	—
Foreign currency translation adjustment	—	—	(4.3 )	—	(4.3 )
September 30, 2015	\$386.7	\$(156.3)	\$ (4.3 )	\$3,329.3	\$3,555.4

See accompanying notes to the consolidated financial statements.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 for the nine months ended September 30, 2016 and 2015  
 (Expressed in millions of United States dollars)

	Nine Months Ended September 30, 2016    2015	
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income	\$296.1	\$82.2
Adjustments to reconcile net income to cash provided by operating activities:		
Net realized gains on sales of investments	(37.7 )	(41.2 )
Mark to market adjustments	(91.1 )	112.4
Stock compensation expense	13.4	11.8
Undistributed income of equity method investments	22.2	19.2
Changes in:		
Reserve for losses and loss expenses, net of reinsurance recoverables	138.9	188.8
Unearned premiums, net of prepaid reinsurance	45.5	113.4
Insurance balances receivable	(148.8 )	(123.2 )
Funds held	376.9	280.4
Reinsurance balances payable	44.1	40.4
Reinsurance recoverable on paid losses	(32.6 )	(31.0 )
Net deferred acquisition costs	7.5	(10.9 )
Net deferred tax assets	(1.9 )	(10.1 )
Accounts payable and accrued liabilities	(28.2 )	(39.0 )
Other items, net	15.2	(1.7 )
Net cash provided by operating activities	619.5	591.5
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:</b>		
Purchases of trading securities	(4,322.6 )	(3,962.3 )
Purchases of other invested assets	(58.5 )	(110.9 )
Sales of trading securities	4,595.8	3,888.4
Sales of other invested assets	99.2	160.3
Purchases of fixed assets	(3.1 )	(23.8 )
Change in restricted cash	(38.2 )	(78.9 )
Net cash paid for acquisitions	(1.2 )	(141.5 )
Net cash provided by (used in) investing activities	271.4	(268.7 )
<b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>		
Dividends paid	(68.8 )	(66.8 )
Proceeds from the exercise of stock options	7.7	9.2
Repayment of senior notes	(500.0 )	—
Share repurchases	(165.7 )	(246.4 )
Proceeds from other long-term debt	—	4.0
Repayment of other long-term debt	(0.2 )	(0.2 )
Net cash used in financing activities	(727.0 )	(300.2 )
Effect of exchange rate changes on foreign currency cash	1.9	(8.1 )

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NET INCREASE IN CASH AND CASH EQUIVALENTS	165.8	14.5
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	608.0	589.3
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$773.8	\$603.8

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$2.3	\$2.2
Cash paid for interest expense	\$56.6	\$45.8

See accompanying notes to the consolidated financial statements.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in millions of United States dollars, except share, per share, percentage and ratio information)

1. GENERAL

Allied World Assurance Company Holdings, AG, a Swiss holding company (“Allied World Switzerland”), through its wholly-owned subsidiaries (collectively, the “Company”), is a global provider of a diversified portfolio of property and casualty insurance and reinsurance. References to “\$” are to the lawful currency of the United States and to “CHF” are to the lawful currency of Switzerland.

2. BASIS OF PREPARATION AND CONSOLIDATION

These unaudited condensed consolidated financial statements include the accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with Article 10 of Regulation S-X as promulgated by the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments that are normal and recurring in nature and necessary for a fair presentation of financial position and results of operations as of the end of and for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates reflected in the Company’s financial statements, include, but are not limited to:

- The premium estimates for certain reinsurance agreements,
- Recoverability of deferred acquisition costs,
- The reserve for outstanding losses and loss expenses,
- Valuation of ceded reinsurance recoverables,
- Determination of impairment of goodwill and other intangible assets, and
- Valuation of financial instruments.

Intercompany accounts and transactions have been eliminated on consolidation and all entities meeting consolidation requirements have been included in the unaudited condensed consolidated financial statements. To facilitate comparison of information across periods, certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

These unaudited condensed consolidated financial statements, including these notes, should be read in conjunction with the Company’s audited consolidated financial statements, and related notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

3. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 provides a framework, through a five-step process, for recognizing revenue from customers, improves comparability and consistency of recognizing revenue across entities, industries, jurisdictions and capital markets, and requires enhanced disclosures. Certain contracts with customers are specifically excluded from the scope of ASU 2014-09, including, among others,

insurance contracts accounted for under Accounting Standard Codification 944, Financial Services - Insurance. ASU 2014-09 is effective on January 1, 2017 with retrospective adoption required for the comparative periods. With the issuance of Accounting Standards Update 2015-14, "Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date", this standard will be effective on January 1, 2018 with retrospective adoption required for the comparative periods. The Company is currently assessing the impact the adoption of ASU 2014-09 will have on future financial statements and related disclosures.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in millions of United States dollars, except share, per share, percentage and ratio information)

In May 2015, the FASB issued Accounting Standards Update 2015-09, “Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts” (“ASU 2015-09”). ASU 2015-09 provides enhanced disclosures, on an annual basis, related to the reserve for losses and loss expenses. The enhanced disclosures required by ASU 2015-09 include (1) net incurred and paid claims development information by accident year, (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the reserve for losses and loss expenses, (3) for each accident year presented of incurred claims development information, the total of reserves for losses incurred but not reported (“IBNR”), including expected development on reported claims, included in the reserve for losses and loss expenses and a description of the reserving methodologies and changes to the reserving methodologies, and (4) for each accident year presented of incurred claims development information, quantitative information about claims frequency, as well as a description of methodologies used for determining claim frequency information. ASU 2015-09 is effective for annual periods beginning after December 15, 2015, and as such the disclosures will first be presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company is currently preparing the disclosures required by ASU 2015-09.

In January 2016, the FASB issued Accounting Standards Update 2016-01, “Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). ASU 2016-01 changes current U.S. GAAP for public entities by requiring the following, among others: (1) equity securities, except those accounted for under the equity method of accounting, to be measured at fair value with changes in fair value recognized in net income; (2) the use of the exit price when measuring fair value of financial instruments for disclosure purposes; (3) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value; and (4) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or notes to the financial statements. ASU 2016-01 is effective for annual periods beginning after January 1, 2018, including interim periods. Early application is permitted. The Company is currently assessing the impact the adoption of ASU 2016-01 will have on future financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update 2016-02, “Leases” (“ASU 2016-02”). ASU 2016-02 changes current U.S. GAAP for lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for annual periods beginning after January 1, 2019, including interim periods. Early application is permitted. The Company is currently assessing the impact the adoption of ASU 2016-02 will have on future financial statements and disclosures.

In March 2016, the FASB issued Accounting Standards Update 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). ASU 2016-09 modifies U.S. GAAP by requiring the following, among others: (1) all excess tax benefits and tax deficiencies are to be recognized as income tax expense or benefit on the income statement (excess tax benefits are recognized regardless of whether the benefit reduces taxes payable in the current period); (2) excess tax benefits are to be classified along with other income tax cash flows as an operating activity in the statement of cash flows; (3) in the area of forfeitures, an entity can still follow the current U.S. GAAP practice of making an entity-wide accounting policy election to estimate the number of awards that are expected to vest or may instead account for forfeitures when they occur; and (4) classification as a financing activity in the statement of cash flows of cash paid by an employer to the taxing authorities when directly withholding shares for tax withholding purposes. ASU 2016-09 is effective for annual periods beginning after January 1, 2017, including interim periods. Although early adoption is permitted, the Company will not early adopt ASU 2016-09. The Company is currently assessing the impact the adoption of ASU 2016-09 will have on future financial statements and disclosures.

In June 2016, the FASB issued Accounting Standards Update 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 modifies U.S. GAAP

related to the recognition of credit losses by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 would apply to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets would not be impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as reinsurance receivables, that could be impacted by the adoption of ASU 2016-13. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. The Company is currently assessing the impact the adoption of ASU 2016-13 will have on future financial statements and disclosures.

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in millions of United States dollars, except share, per share, percentage and ratio information)

In August 2016, the FASB issued Accounting Standards Update 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, including interim periods. Early adoption is permitted. The Company is currently assessing the impact the adoption of ASU 2016-15 will have on future financial statements and disclosures.

## 4. INVESTMENTS

## a) Trading Securities

Securities accounted for at fair value with changes in fair value recognized in the unaudited condensed consolidated statements of operations and comprehensive income (the “consolidated income statements”) by category are as follows:

	September 30, 2016		December 31, 2015	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
U.S. government and government agencies	\$1,471.2	\$ 1,466.1	\$1,434.0	\$ 1,438.0
Non-U.S. government and government agencies	488.1	498.2	556.8	579.2
States, municipalities and political subdivisions	480.8	460.3	413.5	396.0
Corporate debt:				
Financial institutions	1,084.2	1,066.8	1,275.4	1,277.3
Industrials	1,372.5	1,353.5	1,308.1	1,345.6
Utilities	138.4	136.2	118.9	125.4
Mortgage-backed				
Agency mortgage-backed	845.9	831.0	751.8	745.5
Non-agency residential mortgage-backed	22.6	21.5	34.0	32.4
Commercial mortgage-backed	631.8	671.3	582.8	600.1
Asset-backed	791.8	806.6	726.2	751.1
Total fixed maturity investments	\$7,327.3	\$ 7,311.5	\$7,201.5	\$ 7,290.6
	September 30, 2016		December 31, 2015	
	Fair Value	Original Cost	Fair Value	Original Cost
Equity securities	\$216.1	\$ 208.0	\$403.0	\$ 395.3
Other invested assets	827.1	770.7	840.2	770.9
	\$1,043.2	\$ 978.7	\$1,243.2	\$ 1,166.2

Other invested assets, included in the table above, include investments in private equity funds, hedge funds and a high yield loan fund that are accounted for at fair value, but excludes other private securities described below in Note 4(b) that are accounted for using the equity method of accounting.

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## ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in millions of United States dollars, except share, per share, percentage and ratio information)

## b) Other Invested Assets

Details regarding the carrying value, redemption characteristics and unfunded investment commitments of the other invested assets portfolio as of September 30, 2016 and December 31, 2015 were as follows:

Investment Type	Carrying Value as of September 30, 2016	Investments with Redemption Restrictions	Estimated Remaining Restriction Period	Investments without Redemption Restrictions	Redemption Frequency <sup>(1)</sup>	Redemption Notice Period <sup>(1)</sup>	Unfunded Commitments
Private equity	\$ 248.1	\$ 248.1	1 - 7 Years	\$ —			\$ 221.8
Levered credit	221.0	221.0	4 - 8 Years	—			195.1
Real estate	21.4	21.4	7 - 9 Years	—			189.3
Distressed	5.1	5.1	2 Years	—			3.8
Total private equity	495.6	495.6		—			610.0
Distressed	173.9	—		173.9	Monthly	90 Days	—
Relative value credit	82.6	—		82.6	Quarterly	60 Days	—
Equity long/short	64.8	—		64.8	Quarterly	45 Days	—
Fund of funds	10.2	—		10.2	Annual	60 Days	—
Total hedge funds	331.5	—		331.5			—
Total other invested assets at fair value	827.1	495.6		331.5			610.0
Other private securities	114.6	—		114.6			—
Total other invested assets	\$ 941.7	\$ 495.6		\$ 446.1			\$ 610.0
Investment Type	Carrying Value as of December 31, 2015	Investments with Redemption Restrictions	Estimated Remaining Restriction Period	Investments without Redemption Restrictions	Redemption Frequency <sup>(1)</sup>	Redemption Notice Period <sup>(1)</sup>	Unfunded Commitments
Private equity	\$ 236.4	\$ 236.4	1 - 7 Years	\$ —			\$ 231.0
Levered credit	205.9	205.9	4 - 8 Years	—			179.0
Distressed	5.1	5.1	2 Years	—			3.8
Real estate	—	—	7 - 9 Years	—			200.0
Total private equity	447.4	447.4		—			613.8
Distressed	215.6	54.6	2 Years	161.0	Monthly	90 Days	—
Equity long/short	58.0	—		58.0	Quarterly	45 Days	—
Relative value credit	105.4	—		105.4	Quarterly	60 Days	—
Total hedge funds	379.0	54.6		324.4			—
High yield loan fund	13.8	—		13.8	Monthly	30 Days	—
Total other invested assets at fair value	840.2	502.0		338.2			613.8
Other private securities	126.5	—		126.5			—
Total other invested assets	\$ 966.7	\$ 502.0		\$ 464.7			\$ 613.8

(1)

The redemption frequency and notice periods only apply to the investments without redemption restrictions. Some or all of these investments may be subject to a gate as described below.

In general, the Company has invested in hedge funds that require at least 30 days' notice of redemption and may be redeemed on a monthly, quarterly, semi-annual, annual or longer basis, depending on the fund. Certain hedge funds have lock-up periods ranging from one to three years from initial investment. A lock-up period refers to the initial amount of time an investor is contractually required to invest before having the ability to redeem. Funds that provide for periodic redemptions

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ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

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(Expressed in millions of United States dollars, except share, per share, percentage and ratio information)

may, depending on the funds' governing documents, have the ability to deny or delay a redemption request, called a "gate." The fund may implement this restriction if the aggregate amount of redemption requests as of a particular date exceeds a specified level, generally ranging from 15% to 25% of the fund's net assets. The gate is a method for executing an orderly redemption process to reduce the possibility of adversely affecting investors in the fund. Typically, the imposition of a gate delays a portion of the requested redemption, with the remaining portion settled in cash sometime after the redemption date. Certain funds may impose a redemption fee on early redemptions. Interests in private equity funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the fund.

The following describes each investment type:

**Private equity (primary and secondary):** Primary equity funds include funds that may invest in companies and general partnership interests, as well as direct investments. Secondary funds buy limited partnership interests from existing limited partners of primary private equity funds. As owners of private equity, funds may seek liquidity by selling their existing interests, plus any remaining commitment, to secondary market participants. These funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the funds.

**Levered credit (including mezzanine debt):** Levered credit funds invest across the capital structures of upper middle market and middle market companies in connection with leveraged buyouts, mergers and acquisitions, recapitalizations, growth financings, refinancings and other corporate purposes. The most common position in the capital structure of mezzanine funds will be between the senior secured debt holder and the equity; however, the funds in which we are invested may include secured debt, subordinated debt, preferred stock and/or private equity. These funds cannot be redeemed because the investments include restrictions that do not allow for redemption until termination of the funds.