

ALLEGHANY CORP /DE  
Form S-4/A  
January 05, 2012  
Table of Contents

As filed with the Securities and Exchange Commission on January 5, 2012

Registration No. 333-178353

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Amendment No. 4 to FORM S-4 REGISTRATION STATEMENT

*Under*

*THE SECURITIES ACT OF 1933*

# ALLEGHANY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of

6331

51-0283071  
(I.R.S. Employer

Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

**incorporation or organization)**                      **(Primary Standard Industrial Classification Code Number)**                      **Identification Number)**  
**7 Times Square Tower, 17<sup>th</sup> Floor**  
**New York, NY 10036**  
**(212) 752-1356**

**(Address, Including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)**

**Christopher K. Dalrymple, Esq.**  
**Vice President, General Counsel and Secretary**

**7 Times Square Tower**  
**New York, NY 10036**  
**(212) 752-1356**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

*Copies to:*

<b>David E. Shapiro, Esq.</b>	<b>Gary A. Schwartz, Esq.</b>	<b>Lois Herzeca, Esq.</b>
<b>Alison M. Zieske, Esq.</b>	<b>Transatlantic Holdings, Inc.</b>	<b>Eduardo Gallardo, Esq.</b>
<b>Wachtell, Lipton, Rosen &amp; Katz</b>	<b>80 Pine Street</b>	<b>Gibson, Dunn &amp; Crutcher LLP</b>
<b>51 West 52nd Street</b>	<b>New York, NY 10005</b>	<b>200 Park Avenue</b>
<b>New York, NY 10019</b>	<b>(212) 365-2200</b>	<b>New York, NY 10166</b>
<b>(212) 403-1000</b>		<b>(212) 351-4000</b>

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

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  (Do not check if a smaller reporting company) Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee (3)(4)
Common stock, par value \$1.00 per share	8,410,012	N/A	\$2,314,836,907.36	\$265,280.31

- (1) The maximum number of shares of Alleghany common stock estimated to be issuable upon the completion of the merger described herein. This number is based on the exchange of 8,410,012 shares of Alleghany common stock for 58,000,082 shares of Transatlantic common stock (which is the sum of 57,386,934 shares of Transatlantic common stock outstanding as of December 1, 2011 and 613,148 shares of Transatlantic common stock expected to be issued in settlement of equity awards prior to closing after such date) pursuant to the formula set forth in the Agreement and Plan of Merger (the merger agreement), dated as of November 20, 2011, by and between Alleghany, Shoreline Merger Sub, LLC and Transatlantic, assuming the Alleghany Closing Price (as defined in the merger agreement) was \$283.72, which was the average of the closing sales prices of Alleghany common stock on the New York Stock Exchange for the five trading days beginning November 28, 2011 and ending December 2, 2011.
- (2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f)(1), 457(f)(3) and 457(c) under the Securities Act, the proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the market value of shares of Transatlantic common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: (A) the product of (1) \$53.98, the average of the high and low prices per shares of Transatlantic common stock on December 2, 2011, as quoted on the New York Stock Exchange, multiplied by (2) 58,000,082, the estimated maximum number of shares of Transatlantic common stock which may be exchanged in the merger, less (B) the estimated aggregate amount of cash paid by the Registrant in exchange for shares of Transatlantic common stock (which equals \$816,007,519).
- (3) Determined in accordance with Section 6(b) of the Securities Act by multiplying the proposed maximum aggregate offering price by 0.00011460.
- (4) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED JANUARY 5, 2012**

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

Alleghany Corporation and Transatlantic Holdings, Inc. have entered into a merger agreement under which Transatlantic will merge with and into Shoreline Merger Sub, Inc. (which we refer to as Merger Sub), a wholly owned subsidiary of Alleghany, with Merger Sub surviving the merger. Upon completion of the merger, Alleghany will be the parent company of Transatlantic and Merger Sub's name will be changed to Transatlantic Holdings, Inc.

Transatlantic stockholders will have the right to elect to receive merger consideration in the form of cash or shares of Alleghany common stock, subject to proration in the circumstances described in the enclosed joint proxy statement/prospectus. The stock consideration is expected to be tax free to Transatlantic stockholders. Alleghany stockholders will continue to own their existing shares of Alleghany common stock after the merger.

The value of the merger consideration will fluctuate with the market price of the Alleghany common stock and will be determined based on the five-day average of the closing sales prices on the NYSE of Alleghany common stock ending on the day before the completion of the merger. Subject to the election, proration and adjustment procedures described in the enclosed document, Transatlantic stockholders will be entitled to receive, in exchange for each share of Transatlantic common stock they hold at the effective time of the merger, either stock or cash consideration with a value equal to the sum of (i) 0.145 multiplied by the average of the closing sales prices on the NYSE for Alleghany common stock during the five trading days ending the day before the completion of the merger and (ii) \$14.22. As explained in more detail in the enclosed document, whether a Transatlantic stockholder makes a cash election, a stock election or no election, the value of the consideration that such stockholder receives as of the date of completion of the merger will be approximately equivalent based on the average Alleghany closing sales price used to calculate the merger consideration. As an example, based on the average of the closing prices of Alleghany common stock for the five trading days ending on January 4, 2012, the most recent practicable trading day before filing of this joint proxy statement/prospectus, for each share of Transatlantic common stock held, a Transatlantic stockholder would receive approximately either \$55.60 in cash or 0.1948 shares of Alleghany common stock, subject to proration in the circumstances described in the enclosed document.

Based upon the number of outstanding shares on the record date for the Transatlantic special meeting, we anticipate that Alleghany will issue 8,410,179 shares of common stock in connection with the merger, although this number may change based on the number of outstanding shares of Transatlantic common stock on the closing date. Alleghany will pay aggregate cash consideration of \$816,007,519 to Transatlantic stockholders in connection with the merger. Upon completion of the merger, we estimate that, on a fully diluted basis, current Alleghany stockholders will continue to own approximately 51% of the Alleghany common stock and current Transatlantic stockholders will own approximately 49% of the Alleghany common stock.

A chart showing the cash and stock merger consideration at various hypothetical closing prices of Alleghany common stock is provided on page 4 of this document. The market prices of both Alleghany common stock and Transatlantic common stock will fluctuate before the merger. You should obtain current stock price quotations for Alleghany common stock and Transatlantic common stock. Alleghany common stock, par value \$1.00 per share, trades on the NYSE under the symbol Y and Transatlantic common stock, par value \$1.00 per share, trades on the NYSE under the symbol TRH.

Alleghany and Transatlantic will each hold a meeting of its respective stockholders in connection with the merger. Alleghany stockholders will be asked to vote on a proposal to approve the issuance of shares of Alleghany common stock to Transatlantic stockholders in connection with the merger (which we refer to as the

---

**Table of Contents**

stock issuance ) and certain other related proposals. The Alleghany board of directors has approved the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, are advisable and in the best interests of Alleghany and its stockholders, and **recommends that Alleghany stockholders vote (i) FOR the stock issuance and (ii) FOR the proposal to adjourn the Alleghany special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.**

Transatlantic stockholders will be asked to vote on the adoption of the merger agreement and certain other related proposals. The Transatlantic board of directors has unanimously approved the merger agreement, and determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Transatlantic and its stockholders, and **unanimously recommends that Transatlantic stockholders vote (i) FOR the adoption of the merger agreement, (ii) FOR the proposal to adjourn the Transatlantic special meeting, if necessary or appropriate, to solicit additional proxies in favor of the adoption of the merger agreement and (iii) FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Transatlantic s named executive officers in connection with the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable.**

We cannot complete the merger unless the stockholders of each company approve the proposals related to the merger. **Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend your special meeting in person, please submit a proxy to vote your shares as promptly as practicable so that your shares may be represented and voted at the Alleghany or Transatlantic special meeting, as applicable.**

We urge you to read the enclosed joint proxy statement/prospectus carefully. The obligations of Alleghany and Transatlantic to complete the merger, and the transactions contemplated thereby, are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about Alleghany, Transatlantic, the special meetings and the merger is included in the enclosed joint proxy statement/prospectus. **You should also consider carefully the risks that are described in the Risk Factors section beginning on page 27.**

We look forward to the successful transaction involving Alleghany and Transatlantic.

Sincerely,

Weston M. Hicks

Richard S. Press

President and Chief Executive Officer

Chairman of the Board of Directors

Alleghany Corporation

Transatlantic Holdings, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the enclosed joint proxy statement/prospectus or determined if the enclosed joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The enclosed joint proxy statement/prospectus is dated January [ ], 2012 and is first being mailed to the stockholders of Alleghany and Transatlantic on or about January [ ], 2012.

Table of Contents

**ALLEGHANY CORPORATION**

**7 Times Square Tower**

**17<sup>th</sup> Floor**

**New York, NY 10036**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On February 6, 2012**

Dear Stockholders of Alleghany Corporation:

We are pleased to invite you to attend a special meeting of stockholders of Alleghany Corporation, a Delaware corporation. The meeting will be held at the Harvard Club of New York City, 35 West 44<sup>th</sup> Street, New York, New York, on February 6, 2012, at 10:00 a.m., New York City time, to consider and vote upon the following matters:

a proposal to issue shares of Alleghany common stock to Transatlantic stockholders in connection with the merger; and

a proposal to adjourn the Alleghany special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance if there are insufficient votes at the time of such adjournment to approve such proposal.

Completion of the merger is conditioned on, among other things, approval by our stockholders of the proposal to issue shares of Alleghany common stock to Transatlantic stockholders in connection with the merger.

Alleghany will transact no other business at the meeting except such business as may properly be brought before the Alleghany special meeting or any adjournment or postponement thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the Alleghany special meeting.

The Alleghany board of directors has approved the merger agreement and has determined that the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, are advisable and in the best interests of Alleghany and its stockholders. **The Alleghany board of directors recommends that Alleghany stockholders vote FOR each of the proposals set forth above.**

The Alleghany board of directors has fixed the close of business on January 4, 2012 as the record date for determination of Alleghany stockholders entitled to receive notice of, and to vote at, the Alleghany special meeting and any adjournments or postponements of the special meeting. Only holders of record of Alleghany common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the special meeting of Alleghany stockholders. A list of stockholders of Alleghany will be available for review for any purpose germane to the Alleghany special meeting at Alleghany's headquarters, at 7 Times Square Tower, New York, New York, 10036 during regular business hours for a period of ten days before the Alleghany special meeting. The list will also be available at the Alleghany special meeting during the whole time thereof for examination by any stockholder of record present at the Alleghany special meeting.

The approval of the stock issuance proposal requires the affirmative vote of holders of a majority of the Alleghany common stock, present in person or represented by proxy, at the Alleghany special meeting and entitled to vote on the proposal, assuming a quorum is present. Approval of the Alleghany adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present.

**Table of Contents**

**Your vote is very important. Whether or not you expect to attend the Alleghany special meeting in person, we urge you to submit a proxy to vote your shares as promptly as possible by either: (1) logging onto [www.envisionreports.com/YAL](http://www.envisionreports.com/YAL) and following the instructions on your proxy card; (2) dialing 1-800-652-VOTE (8683) and listening for further directions; or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Alleghany special meeting. If your shares are held in the name of a bank, brokerage firm or other nominee, please follow the instructions on the voting instruction card furnished by the record holder, as appropriate.**

The enclosed joint proxy statement/prospectus provides a detailed description of the merger, the stock issuance and the merger agreement. We urge you to read the joint proxy statement/prospectus of which this notice forms a part, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger, the stock issuance or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of Alleghany common stock, please contact Alleghany's proxy solicitor:

**D.F. King & Co., Inc.**

48 Wall Street, 22<sup>nd</sup> Floor

New York, NY 10005

Banks and Brokers call collect: (212) 269-5550

All others call toll-free: (800) 290-6429

E-mail: [Alleghany@dfking.com](mailto:Alleghany@dfking.com)

By Order of the Board of Directors,

CHRISTOPHER K. DALRYMPLE, ESQ.

Vice President, General Counsel and Secretary

January [ ], 2012

New York, NY

Table of Contents

**TRANSATLANTIC HOLDINGS, INC.**

**80 Pine Street**

**New York, NY 10005**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On February 6, 2012**

Dear Stockholders of Transatlantic Holdings, Inc.:

We are pleased to invite you to attend a special meeting of stockholders of Transatlantic Holdings, Inc., a Delaware corporation. The meeting will be held at The Down Town Association, 60 Pine Street, New York, New York, on February 6, 2012, at 10:00 a.m., New York City time, to consider and vote upon the following matters:

a proposal to adopt the Agreement and Plan of Merger, dated as of November 20, 2011, as it may be amended from time to time (which we refer to as the merger agreement), by and among Alleghany, Transatlantic and Shoreline Merger Sub, Inc. (formerly, Shoreline Merger Sub, LLC), a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice forms a part;

a proposal to adjourn the Transatlantic special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the merger agreement if there are insufficient votes at the time of such adjournment to approve such proposal; and

a proposal, on an advisory (non-binding) basis, to approve the compensation that may be paid or become payable to Transatlantic's named executive officers in connection with the merger, and the agreements and understandings pursuant to which such compensation may be paid or become payable, as described in the section entitled "The Merger - Interests of Transatlantic's Directors and Executive Officers in the Merger - Golden Parachute Compensation."

Completion of the merger is conditioned on, among other things, adoption of the merger agreement.

Transatlantic will transact no other business at the Transatlantic special meeting except such business as may properly be brought before the Transatlantic special meeting or any adjournment or postponements thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the Transatlantic special meeting.

The Transatlantic board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Transatlantic and its stockholders. **The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote FOR each of the proposals set forth above.**

The Transatlantic board of directors has fixed the close of business on January 4, 2012 as the record date for determination of Transatlantic stockholders entitled to receive notice of, and to vote at, the Transatlantic special meeting or any adjournments or postponements thereof. Only holders of record of Transatlantic common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Transatlantic special meeting. A list of the names of Transatlantic stockholders of record will be available for ten days prior to the Transatlantic special meeting for any purpose germane to the Transatlantic special meeting between the regular business hours of 9:00 a.m. and 5:00 p.m., New York City time, at Transatlantic's headquarters, 80 Pine Street, New York, New York 10005. The Transatlantic stockholder list will also be available at the Transatlantic special meeting during the whole time thereof for examination by any stockholder present at such meeting.

Adoption of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Transatlantic common stock entitled to vote thereon. Approval of the proposal to adjourn the Transatlantic special meeting, if necessary or appropriate, to solicit additional



proxies in favor of the proposal to

**Table of Contents**

adopt the merger agreement if there are insufficient votes at the time of such adjournment to approve such proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Transatlantic's named executive officers in connection with the merger, and the agreements and understandings pursuant to which such compensation may be paid or become payable, requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock present in person or represented by proxy and entitled to vote thereon, assuming a quorum is present.

Holders of Transatlantic common stock who comply with the requirements of Section 262 of the General Corporation Law of the State of Delaware may be entitled to appraisal rights as described in the joint proxy statement/prospectus of which this notice forms a part.

**Your vote is very important. Whether or not you expect to attend the Transatlantic special meeting in person, we urge you to submit a proxy to vote your shares as promptly as possible by either: (1) logging onto <http://proxy.georgeson.com> and following the instructions on your proxy card; (2) dialing 1-800-652-VOTE (8683) and listening for further directions; or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Transatlantic special meeting. If your shares are held in the name of a bank, brokerage firm or other nominee, please follow the instructions on the voting instruction card furnished by the record holder, as appropriate.**

The enclosed joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the joint proxy statement/prospectus of which this notice forms a part, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of Transatlantic common stock, please contact Transatlantic's proxy solicitor:

**Georgeson Inc.**

199 Water Street

New York, NY 10038

Banks and brokers call: (212) 440-9800

Call toll-free: (888) 613-9817

E-mail: [transatlantic@georgeson.com](mailto:transatlantic@georgeson.com)

By Order of the Board of Directors of

Transatlantic Holdings, Inc.,

Amy M. Cinquegrana

Secretary

January [ ], 2012

New York, NY

**Table of Contents**

**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates by reference important business and financial information about Alleghany and Transatlantic from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**Alleghany Corporation**

7 Times Square Tower

New York, NY 10036

(212) 752-1356

Attn: Investor Relations

or

**D.F. King & Co., Inc.**

48 Wall Street, 22<sup>nd</sup> Floor

New York, NY 10005

Banks and Brokers call: (212) 269-5550

Call toll-free: (800) 290-6429

E-mail: [Alleghany@dfking.com](mailto:Alleghany@dfking.com)

Investors may also consult Alleghany's or Transatlantic's websites for more information concerning the merger described in this joint proxy statement/prospectus. Alleghany's website is [www.alleghany.com](http://www.alleghany.com) and Transatlantic's website is [www.transre.com](http://www.transre.com). Information included on these websites is not incorporated by reference into this joint proxy statement/prospectus.

**Transatlantic Holdings, Inc.**

80 Pine Street

New York, NY 10005

(212) 365-2200

Attn: Investor Relations

or

**Georgeson Inc.**

199 Water Street

New York, NY 10038

Banks and Brokers Call: (212) 440-9800

Call toll-free: (888) 867-6963

E-mail: [transatlantic@georgeson.com](mailto:transatlantic@georgeson.com)

**If you would like to request any documents, please do so by February 1, 2012 in order to receive them before the meetings.**

*For more information, see Where You Can Find More Information.*

---

**Table of Contents**

**ABOUT THIS JOINT PROXY STATEMENT/PROSPECTUS**

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the United States Securities and Exchange Commission (which we refer to as the SEC) by Alleghany, constitutes a prospectus of Alleghany under Section 5 of the Securities Act of 1933, as amended (which we refer to as the Securities Act), with respect to the shares of Alleghany common stock to be issued to the Transatlantic stockholders pursuant to the merger. This joint proxy statement/prospectus also constitutes a joint proxy statement for both Alleghany and Transatlantic under Section 14(a) of the Securities Exchange Act of 1934, as amended (which we refer to as the Exchange Act). It also constitutes a notice of meeting with respect to the special meeting of Alleghany stockholders and a notice of meeting with respect to the special meeting of Transatlantic stockholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated January [ ], 2012. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither our mailing of this joint proxy statement/prospectus to Alleghany stockholders or Transatlantic stockholders nor the issuance by Alleghany of shares of Alleghany common stock to Transatlantic stockholders in connection with the merger will create any implication to the contrary.

**This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement/prospectus regarding Alleghany has been provided by Alleghany and information contained in this joint proxy statement/prospectus regarding Transatlantic has been provided by Transatlantic.**

All references in this joint proxy statement/prospectus to Alleghany refer to Alleghany Corporation, a Delaware corporation, and/or its consolidated subsidiaries, unless the context requires otherwise; all references in this joint proxy statement/prospectus to Transatlantic refer to Transatlantic Holdings, Inc., a Delaware corporation, and/or its consolidated subsidiaries, unless the context requires otherwise; all references to Merger Sub refer to Shoreline Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Alleghany formed for the sole purpose of effecting the merger; unless otherwise indicated or as the context requires, all references in this joint proxy statement/prospectus to we, our and us refer to Alleghany and Transatlantic collectively; and, unless otherwise indicated or as the context requires, all references to the merger agreement refer to the Agreement and Plan of Merger, dated as of November 20, 2011, as it may be amended from time to time, by and among Alleghany, Shoreline Merger Sub, LLC and Transatlantic, a copy of which is included as Annex A to this joint proxy statement/prospectus. Also, in this joint proxy statement/prospectus, \$ and USD refer to U.S. dollars and New York City time means the local time in New York City.

At the request of Transatlantic, Alleghany converted Shoreline Merger Sub, LLC into a Delaware corporation which has been assigned the rights and assumed the obligations of Merger Sub under the merger agreement, and as such, all references to Merger Sub in the merger agreement and in this joint proxy statement/prospectus shall be deemed to refer to such corporation.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS</u>	v
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>Risk Factors</u>	2
<u>The Merger</u>	3
<u>Listing of Alleghany Shares; De-listing and Deregistration of Shares of Transatlantic Common Stock</u>	15
<u>The Merger Will Generally be Tax-Free to Holders of Transatlantic Common Stock That Receive Only Alleghany Common Stock and Taxable to Holders That Receive Cash</u>	15
<u>The Meetings</u>	16
<u>Comparison of Stockholders' Rights</u>	18
<u>Dividends</u>	18
<u>Comparative Per Share Market Price Information</u>	19
<u>Summary Consolidated Historical Financial Data of Alleghany</u>	20
<u>Summary Consolidated Historical Financial Data of Transatlantic</u>	21
<u>Summary Unaudited Pro Forma Condensed Consolidated Financial Information of Alleghany and Transatlantic</u>	23
<u>Unaudited Comparative Per Share Data</u>	26
<u>RISK FACTORS</u>	27
<u>Risk Factors Relating to the Merger</u>	27
<u>Risk Factors Relating to Alleghany Following the Merger</u>	31
<u>Other Risk Factors of Alleghany and Transatlantic</u>	34
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	35
<u>THE COMPANIES</u>	36
<u>Alleghany Corporation</u>	36
<u>Transatlantic Holdings, Inc.</u>	36
<u>Shoreline Merger Sub, Inc.</u>	37
<u>THE ALLEGHANY SPECIAL MEETING</u>	38
<u>ALLEGHANY PROPOSALS</u>	43
<u>Alleghany Proposal 1: Approval of the Stock Issuance</u>	43
<u>Alleghany Proposal 2: Adjournment of the Alleghany Special Meeting</u>	44
<u>THE TRANSATLANTIC SPECIAL MEETING</u>	45
<u>TRANSATLANTIC PROPOSALS</u>	51
<u>Transatlantic Proposal 1: Adoption of the Merger Agreement</u>	51
<u>Transatlantic Proposal 2: Adjournment of the Transatlantic Special Meeting</u>	52
<u>Transatlantic Proposal 3: Approval of Golden Parachute Payments</u>	53
<u>THE MERGER</u>	54
<u>Effects of the Merger</u>	54
<u>Background of the Merger</u>	54
<u>Alleghany's Reasons for the Merger; Recommendation of the Alleghany Board of Directors</u>	76
<u>Opinions of Alleghany's Financial Advisors</u>	78
<u>Certain Alleghany Prospective Financial Information</u>	88
<u>Transatlantic's Reasons for the Merger; Recommendation of the Transatlantic Board of Directors</u>	90
<u>Opinion of Transatlantic's Financial Advisor - Goldman, Sachs &amp; Co.</u>	94
<u>Opinion of Transatlantic's Financial Advisor - Moelis &amp; Company LLC</u>	101
<u>Certain Transatlantic Prospective Financial Information</u>	110
<u>Interests of Alleghany's Directors and Executive Officers in the Merger</u>	112
<u>Interests of Transatlantic's Directors and Executive Officers in the Merger</u>	112
<u>Alleghany Board of Directors and Management Following the Merger</u>	118

**Table of Contents**

	<b>Page</b>
<u>Regulatory Clearances Required for the Merger</u>	119
<u>Treatment of Transatlantic Stock Options and Other Long-Term Incentive Awards</u>	120
<u>Dividends</u>	121
<u>Listing of Alleghany Shares</u>	121
<u>De-Listing and Deregistration of Transatlantic Common Stock</u>	121
<u>Appraisal Rights</u>	121
<u>Litigation Related to the Merger</u>	125
<b><u>THE MERGER AGREEMENT</u></b>	127
<u>Terms of the Merger</u>	127
<u>Effective Time and Completion of the Merger</u>	128
<u>Consideration to be Received in the Merger</u>	128
<u>Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration</u>	132
<u>Representations and Warranties</u>	134
<u>Conduct of Business</u>	136
<u>No Solicitation of Alternative Proposals</u>	138
<u>Changes in Board Recommendations</u>	139
<u>Efforts to Obtain Required Stockholder Votes</u>	139
<u>Efforts to Complete the Merger</u>	140
<u>Governance Matters Following the Merger</u>	141
<u>Retention Agreements and Supplemental Bonus Program</u>	141
<u>Treatment of Transatlantic Stock Options and Other Stock-Based Awards and Programs</u>	141
<u>Other Covenants and Agreements</u>	142
<u>Conditions to Completion of the Merger</u>	142
<u>Termination of the Merger Agreement</u>	143
<u>Expenses and Termination Fees; Liability for Breach</u>	144
<u>Amendments, Extensions and Waivers</u>	146
<u>No Third Party Beneficiaries</u>	147
<u>Specific Performance</u>	147
<b><u>THE VOTING AGREEMENTS</u></b>	148
<b><u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES</u></b>	150
<b><u>ACCOUNTING TREATMENT</u></b>	153
<b><u>UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION</u></b>	154
<b><u>COMPARATIVE STOCK PRICE DATA AND DIVIDENDS</u></b>	166
<b><u>DESCRIPTION OF ALLEGHANY CAPITAL STOCK</u></b>	167
<b><u>COMPARISON OF STOCKHOLDERS' RIGHTS</u></b>	168
<b><u>LEGAL MATTERS</u></b>	175
<b><u>EXPERTS</u></b>	175
<b><u>FUTURE STOCKHOLDER PROPOSALS</u></b>	175
<b><u>HOUSEHOLDING OF JOINT PROXY STATEMENT/PROSPECTUS</u></b>	176
<b><u>OTHER MATTERS</u></b>	176
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	176
<b><u>INFORMATION NOT REQUIRED IN PROSPECTUS; UNDERTAKINGS</u></b>	II-1
<b><u>SIGNATURES</u></b>	II-4
<b><u>EXHIBIT INDEX</u></b>	II-6
<b><u>ANNEX A AGREEMENT AND PLAN OF MERGER</u></b>	
<b><u>ANNEX B OPINION OF UBS SECURITIES LLC</u></b>	
<b><u>ANNEX C OPINION OF MORGAN STANLEY &amp; CO.</u></b>	
<b><u>ANNEX D OPINION OF GOLDMAN, SACHS &amp; CO.</u></b>	
<b><u>ANNEX E OPINION OF MOELIS &amp; COMPANY LLC</u></b>	
<b><u>ANNEX F FORM OF VOTING AGREEMENT</u></b>	
<b><u>ANNEX G SECTION 262 OF DELAWARE GENERAL CORPORATION LAW</u></b>	

**Table of Contents**

**QUESTIONS AND ANSWERS**

The following are some questions that you, as a stockholder of Alleghany Corporation (which we refer to as Alleghany ) or Transatlantic Holdings, Inc. (which we refer to as Transatlantic ), may have regarding the merger and the other matters being considered at the contemplated meetings and the answers to those questions. Alleghany and Transatlantic urge you to carefully read the remainder of this joint proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the special meetings. Additional important information is also contained in the Annexes to, and the documents incorporated by reference into, this joint proxy statement/prospectus.

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: Alleghany and a newly formed, direct wholly owned subsidiary, Shoreline Merger Sub, LLC (which has been converted into Shoreline Merger Sub, Inc., a Delaware corporation, and which we refer to as Merger Sub ), have entered into an Agreement and Plan of Merger, dated as of November 20, 2011 (which we refer to as the merger agreement ) with Transatlantic. Under the merger agreement, Transatlantic will be merged with and into Merger Sub (which we refer to as the merger ), with Merger Sub continuing as the surviving company and a wholly owned subsidiary of Alleghany. After the merger, Alleghany intends to operate Transatlantic as an independent standalone subsidiary of Alleghany, which will be renamed Transatlantic Holdings, Inc. A copy of the merger agreement is included in this joint proxy statement/prospectus as Annex A.

The merger cannot be completed unless, among other things:

holders of a majority of the shares of Alleghany common stock present in person or represented by proxy at the Alleghany special meeting vote to approve the issuance of shares of Alleghany common stock to Transatlantic stockholders in connection with the merger (which we refer to as the stock issuance ); and

holders of a majority of the shares of the outstanding Transatlantic common stock vote to adopt the merger agreement.

In addition, Alleghany is soliciting proxies from its stockholders with respect to one additional proposal; completion of the merger is not conditioned upon receipt of this approval:

a proposal to adjourn the Alleghany special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance if there are insufficient votes at the time of such adjournment to approve such proposal (which we refer to as the Alleghany adjournment proposal ).

Furthermore, Transatlantic is soliciting proxies from its stockholders with respect to two additional proposals; completion of the merger is not conditioned upon receipt of these approvals:

a proposal to adjourn the Transatlantic special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the merger agreement if there are insufficient votes at the time of such adjournment to approve such proposal (which we refer to as the Transatlantic adjournment proposal ); and

a proposal (which we refer to as the golden parachute proposal ) to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Transatlantic s named executive officers in connection with the merger, and the agreements and understandings pursuant to which such compensation may be paid or become payable.

Each of Alleghany and Transatlantic will hold separate special meetings to obtain these approvals (which we refer to as the Alleghany special meeting and the Transatlantic special meeting, respectively). This joint proxy statement/prospectus contains important information about the

Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

merger and the proposals being voted on at the special meetings, and you should read it carefully. It is a joint proxy statement because

v



---

**Table of Contents**

both the Alleghany and Transatlantic boards of directors are soliciting proxies from their respective stockholders. It is a prospectus because Alleghany will issue shares of Alleghany common stock to holders of Transatlantic common stock in connection with the merger. The enclosed materials allow you to have your shares voted by proxy without attending your respective meeting. **Your vote is important. We encourage you to submit your proxy as soon as possible.**

**Q: What will I receive in the merger?**

A: *Alleghany Stockholders:* If the merger is completed, Alleghany stockholders will not receive any merger consideration and will continue to hold the shares of Alleghany common stock which they currently hold. Following the merger, shares of Alleghany common stock will continue to be traded on the New York Stock Exchange (which we refer to as the NYSE) under the symbol Y.

*Transatlantic Stockholders:* If the merger is completed, Transatlantic stockholders will be entitled to receive, in exchange for each share of Transatlantic common stock they hold at the effective time of the merger, either stock or cash consideration with a value equal to the sum of (i) 0.145 multiplied by the average of the closing sales prices on the NYSE for Alleghany common stock during the five trading days ending the day before the completion of the merger (which we refer to as the average five-day Alleghany closing price) and (ii) \$14.22. Transatlantic stockholders will have the right to elect to receive merger consideration for each of their shares of Transatlantic common stock in the form of cash or shares of Alleghany common stock, subject to proration in the circumstances described below. In the event of proration, a Transatlantic stockholder may receive merger consideration in respect of some or all of the Transatlantic shares held by such stockholder in a form other than that which such stockholder elected.

The value of the merger consideration will fluctuate with the market price of Alleghany common stock and will be determined based on the average five-day Alleghany closing price. **We urge you to obtain current market quotations of shares of Alleghany and Transatlantic common stock.** As explained in more detail in this document, whether a Transatlantic stockholder makes a cash election, a stock election or no election, the value of the consideration that such stockholder receives as of the date of completion of the merger will be approximately equivalent based on the average five-day Alleghany closing price used to calculate the merger consideration. A Transatlantic stockholder may specify different elections with respect to different shares that such stockholder holds (*e.g.*, if a Transatlantic stockholder owns 100 shares of Transatlantic common stock, that stockholder could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

The aggregate amount of cash to be paid to Transatlantic stockholders is fixed in the merger agreement at \$816,007,519. As a result, if the cash election is oversubscribed or undersubscribed, then certain adjustments will be made to the merger consideration to proportionately reduce the cash or stock amounts received by the Transatlantic stockholders in the manner described below in the section entitled *The Merger Agreement Consideration to be Received in the Merger*. To the extent that the number of outstanding shares of Transatlantic increases between the date of the merger agreement and the effective time of the merger, due to the vesting of stock-settled awards or as otherwise permitted by the merger agreement, the aggregate number of shares of Alleghany common stock to be issued as consideration in the merger will be increased accordingly, but the aggregate amount of cash to be paid as consideration will not change. In addition, if the aggregate consideration to be paid to any holder of Transatlantic common stock would result in such holder receiving a fractional share of Alleghany common stock, cash shall be paid in lieu of such fractional share.

As an example, based on the average of the closing sales prices of Alleghany common stock for the five trading days ending on November 18, 2011 (the last trading date before announcement of the merger), for each share of Transatlantic common stock held, a Transatlantic stockholder would receive either approximately \$59.51 in cash or 0.1905 shares of Alleghany common stock, subject to proration if cash was oversubscribed or undersubscribed. As another example, based on the average of the closing prices of Alleghany common stock for the five trading days ending on January 4, 2012 (the most recent practicable

---

**Table of Contents**

trading date before filing of this joint proxy statement/prospectus), for each share of Transatlantic common stock held, a Transatlantic stockholder would receive either approximately \$55.60 in cash or 0.1948 shares of Alleghany common stock, subject to proration if cash was oversubscribed or undersubscribed.

The exact amount of cash and number of shares of Alleghany common stock you receive will depend on the election you and other Transatlantic stockholders make and the formula in the merger agreement, including its election, proration and adjustment provisions. For a summary of the formula contained in the merger agreement, see The Merger Agreement.

**Q: What are some of the details of the election process?**

A: You will be allowed to make a cash election with respect to any or all of your shares of Transatlantic common stock and/or a stock election with respect to any or all of your other shares of Transatlantic common stock (subject to proration if cash is oversubscribed or undersubscribed):

A cash election with respect to a share of Transatlantic common stock means a request to receive cash in the amount (which we refer to as the per share cash amount ) of (1) \$14.22 plus (2) the product, rounded to the nearest one tenth of a cent, of 0.145 multiplied by the average five-day Alleghany closing price.

A stock election with respect to a share of Transatlantic common stock means a request to receive that number of shares of Alleghany common stock equal to (1) the per share cash amount divided by (2) the average five-day Alleghany closing price. The exact amount of cash and number of shares of Alleghany common stock you receive will depend on the election you and other Transatlantic stockholders make and the formula in the merger agreement, including its election, proration and adjustment provisions. In addition, if the aggregate consideration to be paid to any holder of Transatlantic common stock would result in such holder receiving a fractional share of Alleghany common stock, cash shall be paid in lieu of such fractional share. For a summary of the formula contained in the merger agreement, see The Merger Agreement.

**Q: How do I make an election?**

A: If you are the record holder of shares of Transatlantic common stock on January 4, 2012, the record date for the Transatlantic special meeting (which we refer to as the Transatlantic record date ), you will receive an election form (which we refer to as the election form ) in which you may specify the number of shares of Transatlantic common stock, if any, you desire to convert into the right to receive merger consideration in the form of cash or shares of Alleghany common stock. You must deliver a completed election form by 5:00 p.m., New York City time, on a date to be mutually determined by Alleghany and Transatlantic (which we refer to as the election deadline ) to Computershare, as exchange agent (who we refer to as the exchange agent ). The election deadline shall be a date prior to the effective time of the merger which date Alleghany and Transatlantic shall publicly announce by joint press release at least five business days prior to such date. The election form must be accompanied by the certificates representing the shares of Transatlantic common stock (or guarantee of delivery), unless such shares are in book-entry form (which we refer to as book-entry shares ), in which case you should follow the instructions set forth in the election form. If you hold your shares of Transatlantic common stock through a bank, broker or other nominee, your bank, broker or other nominee, as applicable, will provide you with instructions on how to make an election. If your election form is received after the election deadline or you fail to comply with your bank's, broker's or nominee's instructions, your election will be disregarded, and you will receive consideration in whatever form or mix that remains after taking into account other Transatlantic stockholders' preferences.

**Table of Contents**

**Q: How can I change my election?**

A: If you are a record holder of Transatlantic common stock, you may (i) change your election by written notice received by the exchange agent prior to the election deadline, accompanied by a properly completed and signed revised election form or (ii) revoke your election by written notice received by the exchange agent prior to the election deadline or by withdrawal, prior to the election deadline, of the certificates representing your shares of Transatlantic common stock, or of the guarantee of delivery of such certificates, previously deposited with the exchange agent. If your election form is revoked, the certificate(s) (or guarantees of delivery, as appropriate), if any, for the shares of Transatlantic common stock to which such election form relates will be promptly returned to you.

**Q: Am I required to make an election in order to receive the merger consideration?**

A: No. If you do not make an election, you will still receive the merger consideration. However, if you have a preference for a specific form of merger consideration and do not make an election, the exchange agent will not take your preference into consideration. If you do not make an election, you will receive merger consideration in whatever form or mix remains after giving effect to the preferences of the Transatlantic stockholders that do make elections.

**Q: When and where will the special meetings be held?**

A: *Alleghany Stockholders:* The Alleghany special meeting will be held at the Harvard Club of New York City, 35 West 44<sup>th</sup> Street, New York, New York, on February 6, 2012, at 10:00 a.m., New York City time.  
*Transatlantic Stockholders:* The Transatlantic special meeting will be held at The Down Town Association, 60 Pine Street, New York, New York, on February 6, 2012, at 10:00 a.m., New York City time.

**Q: What are the proposals on which I am being asked to vote?**

A: *Alleghany Stockholders:* Alleghany is soliciting proxies from its stockholders with respect to two proposals:

a proposal to approve the stock issuance, approval of which is a condition to completion of the merger; and

the Alleghany adjournment proposal, approval of which is not a condition to completion of the merger.

*Transatlantic Stockholders:* Transatlantic is soliciting proxies from its stockholders with respect to three proposals:

a proposal to adopt the merger agreement, approval of which is a condition to completion of the merger;

the Transatlantic adjournment proposal, approval of which is not a condition to completion of the merger; and

the golden parachute proposal, approval of which is not a condition to completion of the merger.

**Q: What constitutes a quorum at the meetings?**

A: *Alleghany Stockholders*: Stockholders who hold a majority of the Alleghany common stock outstanding on January 4, 2012, the record date for the Alleghany special meeting (which we refer to as the Alleghany record date ) and who are entitled to vote must be present in person or represented by proxy to constitute a quorum at the Alleghany special meeting. The Alleghany stockholders, by a majority vote at the meeting by the holders of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice.

---

**Table of Contents**

If the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, a new notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting. Failures to vote will not be included in the calculation of the number of shares of Alleghany common stock represented at the Alleghany special meeting for purposes of determining whether a quorum has been achieved. Abstentions will be included in the calculation of the number of shares of Alleghany common stock represented at the Alleghany special meeting for purposes of determining whether a quorum has been achieved. Under NYSE rules, if brokers do not have discretion to vote on any of the proposals at a stockholders' meeting, broker non-votes will not count toward the calculation of a quorum. As each of the proposals to be voted on at the Alleghany special meeting is considered non-routine under NYSE rules, brokers do not have discretion to vote on such proposals and, as such, broker non-votes will not be included in the calculation of the number of shares of Alleghany common stock represented at the Alleghany special meeting for purposes of determining whether a quorum has been achieved.

*Transatlantic Stockholders:* Stockholders who hold shares representing at least a majority of the aggregate voting power of the outstanding capital stock entitled to vote at the Transatlantic special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Transatlantic special meeting. The Transatlantic stockholders, by a majority vote at the meeting by the holders of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice. If the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, a new notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

Failures to vote will not be included in the calculation of the number of shares of Transatlantic common stock represented at the Transatlantic special meeting for purposes of determining whether a quorum has been achieved. Abstentions will be included in the calculation of the number of shares of Transatlantic common stock represented at the Transatlantic special meeting for purposes of determining whether a quorum has been achieved. Under NYSE rules, if brokers do not have discretion to vote on any of the proposals at a stockholders' meeting, broker non-votes will not count toward the calculation of a quorum. As each of the proposals to be voted on at the Transatlantic special meeting is considered non-routine under NYSE rules, brokers do not have discretion to vote on such proposals and, as such, broker non-votes will not be included in the calculation of the number of shares of Transatlantic common stock represented at the Transatlantic special meeting for purposes of determining whether a quorum has been achieved.

**Q: How do I vote?**

A: *Alleghany Stockholders:* If you are a stockholder of record of Alleghany as of the close of business on the Alleghany record date, you may vote in person by attending the Alleghany special meeting or, to ensure your shares are represented at the Alleghany special meeting, you may authorize a proxy to vote by:

logging onto [www.envisionreports.com/YAL](http://www.envisionreports.com/YAL) and following the instructions on your proxy card to submit a proxy via the internet anytime up to 12:00 a.m., New York City time, on February 6, 2012 and following the instructions provided on that site;

dialing 1-800-652-VOTE (8683) and listening for further directions to submit a proxy by telephone anytime up to 12:00 a.m., New York City time, on February 6, 2012 and following the instructions provided in the recorded message; or

signing and returning the accompanying proxy card in the enclosed postage-paid envelope. Alleghany stockholders of record may submit their proxies through the mail by completing their proxy card, and signing, dating and returning it in the enclosed, pre-addressed, postage-paid envelope. To be valid, a returned proxy card must be signed and dated.

---

**Table of Contents**

*Transatlantic Stockholders:* If you are a stockholder of record of Transatlantic as of the close of business on the Transatlantic record date, you may vote in person by attending the Transatlantic special meeting or, to ensure your shares are represented at the Transatlantic special meeting, you may authorize a proxy to vote by:

logging onto <http://proxy.georgeson.com> and following the instructions on your proxy card to submit a proxy via the internet anytime up to 11:00 p.m., New York City time, on February 5, 2012 and following the instructions provided on that site;

dialing 1-800-652-VOTE (8683) and listening for further directions to submit a proxy by telephone anytime up to 11:00 p.m., New York City time, on February 5, 2012 and following the instructions provided in the recorded message; or

signing and returning the accompanying proxy card in the enclosed postage-paid envelope. Transatlantic stockholders of record may submit their proxies through the mail by completing their proxy card, and signing, dating and returning it in the enclosed, pre-addressed, postage-paid envelope. To be valid, a returned proxy card must be signed and dated.

**Q: Have any stockholders already agreed to vote in favor of the transactions?**

A: Yes. Certain members of the Kirby family with longstanding ownership interests in Alleghany common stock have entered into voting agreements with Transatlantic. The voting agreements provide, among other things, that these Alleghany stockholders have irrevocably agreed, on the terms and subject to the conditions specified in the voting agreements, to vote all shares of Alleghany common stock owned by such stockholders in favor of the stock issuance, against competing proposals and against any action or agreement that would be expected to materially impair the ability of Alleghany or Merger Sub to complete the merger. A form of voting agreement entered into by these Alleghany stockholders is included as Annex F hereto. As of November 18, 2011, the last trading day before announcement of the merger, these stockholders held an aggregate of approximately 1,594,958 shares of Alleghany common stock (representing approximately 18.65% of the outstanding shares of Alleghany common stock as of November 18, 2011 and as of the Alleghany record date).

In addition, on November 21, 2011, Transatlantic stockholder Davis Selected Advisers, L.P. (which we refer to as Davis Advisors ) publicly stated its current intention to vote in support of the merger but reserves the right to change its mind. As of November 21, 2011, Davis Advisors was the beneficial holder of approximately 14,278,940 shares of Transatlantic common stock (representing approximately 24.9% of the outstanding shares of Transatlantic common stock as of November 21, 2011 and as of the Transatlantic record date). To satisfy the requirements of the Department of Financial Services of the State of New York (which we refer to as the New York DFS ), on June 8, 2009, Davis Advisors, entered into an agreement with Transatlantic whereby Davis Advisors agreed to vote the number of shares of Transatlantic common stock owned by Davis Advisors in excess of 9.9% of Transatlantic s outstanding shares in a manner proportionate to the vote of the owners of the shares (excluding Davis Advisors, stockholders beneficially owning more than 10% of Transatlantic s outstanding shares of common stock, and directors and officers of Transatlantic) voting on such matters.

**Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. If you hold your shares in a stock brokerage account or if your shares are held by a bank or nominee (that is, in street name ), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank, broker or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Alleghany or Transatlantic or by voting in person at your special meeting unless you provide a legal proxy, which you must obtain from your bank, broker or other nominee. Further, brokers who hold shares of Alleghany or Transatlantic common stock on behalf of their customers may not give a proxy to Alleghany or Transatlantic to vote those shares without specific instructions from their customers.

---

**Table of Contents**

**Q: What if I return my proxy card without indicating how to vote?**

A: If you sign and return your proxy card without indicating how to vote on any particular proposal, your shares will be voted in accordance with the recommendation of the Alleghany or Transatlantic board of directors, as applicable, with respect to such proposal.

**Q: If I am a Transatlantic stockholder, should I send in my Transatlantic stock certificates with my proxy card?**

A: No. Please **DO NOT send your Transatlantic stock certificates with your proxy card**. You are being provided an election form and instructions regarding the surrender of your stock certificates. If you wish to make an election with respect to your shares of Transatlantic common stock, you should, prior to the election deadline, send your Transatlantic stock certificates (if any) to the exchange agent, together with your completed, signed election form.

**Q: How many votes do I have?**

A: *Alleghany Stockholders:* Holders of Alleghany common stock are entitled to one vote for each share of Alleghany common stock that you owned as of the Alleghany record date. As of the close of business on the Alleghany record date, there were 8,551,646 shares of Alleghany common stock outstanding and entitled to vote at the Alleghany special meeting, approximately 7.5% of which were beneficially owned by the directors and executive officers of Alleghany and their affiliates.

*Transatlantic Stockholders:* Holders of Transatlantic common stock are entitled to one vote for each share of Transatlantic common stock that you owned as of the close of business on the Transatlantic record date. However, to satisfy the requirements of the New York DFS, on June 8, 2009, Davis Advisors entered into an agreement with Transatlantic whereby Davis Advisors agreed to vote the number of shares of Transatlantic common stock owned by Davis Advisors in excess of 9.9% of Transatlantic's outstanding shares in a manner proportionate to the vote of the owners of the shares (excluding Davis Advisors, stockholders beneficially owning more than 10% of Transatlantic's outstanding shares, and directors and officers of Transatlantic) voting on such matters. As of the close of business on the Transatlantic record date, there were 57,388,084 shares of Transatlantic common stock outstanding and entitled to vote at the Transatlantic special meeting, approximately 0.4% of which were beneficially owned by the directors and executive officers of Transatlantic and their affiliates.

**Q: What vote is required to approve each proposal?**

A: *Alleghany Stockholders:* Approval of the stock issuance requires the affirmative vote of holders of a majority of shares of Alleghany common stock present in person or represented by proxy at the Alleghany special meeting and entitled to vote thereon, assuming a quorum is present. Approval of the Alleghany adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Approval of the Alleghany adjournment proposal is not a condition to completion of the merger.

*Transatlantic Stockholders:* Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Transatlantic common stock entitled to vote thereon. Approval of the Transatlantic adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Approval of the golden parachute proposal requires the affirmative vote of holders of a majority of shares of Transatlantic common stock present in person or represented by proxy and entitled to vote thereon, assuming a quorum is present. Neither approval of the Transatlantic adjournment proposal nor the golden parachute proposal is a condition to completion of the merger.

## **Table of Contents**

### **Q: What will happen if I fail to vote or I abstain from voting?**

A: *Alleghany Stockholders:* If you are an Alleghany stockholder and you fail to vote, it will have no effect on the Alleghany adjournment proposal or, assuming a quorum is present, on the stock issuance proposal. If you abstain from voting, your shares will be counted as represented at the meeting, and it will have the same effect as a vote AGAINST the stock issuance proposal and AGAINST Alleghany adjournment proposal.

*Transatlantic Stockholders:* If you are a Transatlantic stockholder and you fail to vote, it will have the same effect as a vote AGAINST the proposal to adopt the merger agreement, but it will have no effect on the Transatlantic adjournment proposal or, assuming a quorum is present, on the golden parachute proposal. If you abstain from voting, your shares will be counted as represented at the meeting, and it will have the same effect as a vote AGAINST the proposal to adopt the merger agreement, AGAINST the Transatlantic adjournment proposal and AGAINST the golden parachute proposal.

### **Q: What will happen if I fail to instruct my broker, bank or nominee how to vote?**

A: *Alleghany Stockholders:* If you are an Alleghany stockholder and you do not instruct your broker, bank or nominee on how to vote your shares, your broker may not vote your shares at the special meeting. This will have no effect on the Alleghany adjournment proposal or, assuming a quorum is present, on the stock issuance proposal.

*Transatlantic Stockholders:* If you are a Transatlantic stockholder and you do not instruct your broker, bank or nominee on how to vote your shares, your broker may not vote your shares at the special meeting. This will have the same effect as a vote AGAINST the adoption of the merger agreement, but will have no effect on the Transatlantic adjournment proposal or, assuming a quorum is present, on the golden parachute proposal.

### **Q: Can I change my vote after I have returned a proxy or voting instruction card?**

A: *Alleghany Stockholders:* Yes. You can change your vote at any time before your proxy is voted at your special meeting. You can do this in one of three ways:

you can send a signed notice of revocation;

you can grant a new, valid proxy bearing a later date including by telephone or via the internet; or

if you are a holder of record, you can attend the Alleghany special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to the secretary of Alleghany no later than the beginning of the Alleghany special meeting. If you have submitted a proxy for your shares by telephone or via the internet, you may revoke your prior telephone or internet proxy by any manner described above. If your shares are held in street name by your broker, bank or nominee, you should contact your broker, bank or nominee to change your vote.

*Transatlantic Stockholders:* Yes. You can change your vote at any time before your proxy is voted at your special meeting. You can do this in one of three ways:



Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

you can send a signed notice of revocation;

you can grant a new, valid proxy bearing a later date including by telephone or via the internet; or

if you are a holder of record, you can attend the Transatlantic special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to the secretary of Transatlantic no later than the beginning of the Transatlantic special meeting. If you have

## Table of Contents

submitted a proxy for your shares by telephone or via the internet, you may revoke your prior telephone or internet proxy by any manner described above. If your shares are held in street name by your broker, bank or nominee, you should contact your broker, bank or nominee to change your vote.

**Q: How does the Alleghany board of directors recommend that Alleghany stockholders vote?**

A: The Alleghany board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger and the stock issuance, are advisable and in the best interests of Alleghany and its stockholders. **The Alleghany board of directors recommends that the Alleghany stockholders vote (i) FOR the stock issuance proposal and (ii) FOR the Alleghany adjournment proposal.**

**Q: How does the Transatlantic board of directors recommend that Transatlantic stockholders vote?**

A: The Transatlantic board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of Transatlantic and its stockholders. **The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote (i) FOR the adoption of the merger agreement, (ii) FOR the Transatlantic adjournment proposal and (iii) FOR the golden parachute proposal.**

**Q: When do you expect the merger to be completed?**

A: Alleghany and Transatlantic expect to complete the merger as soon as reasonably practicable and expect the closing of the merger to occur in the first quarter of 2012. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of Alleghany and Transatlantic could result in the merger being completed at an earlier time, a later time or not at all. There may be a substantial amount of time between the date on which the special meetings are held and the date of the completion of the merger.

**Q: Are stockholders entitled to appraisal rights?**

A: *Alleghany Stockholders:* No. Under Delaware law, you are not entitled to appraisal rights in connection with the merger.  
*Transatlantic Stockholders:* Depending upon the elections made by holders of shares of Transatlantic common stock with respect to the form of consideration to be received in the merger, Delaware law may entitle the holders of shares of Transatlantic common stock, who comply with the procedures specified in Section 262 of the General Corporation Law of the State of Delaware (which we refer to as the "DGCL"), to have their shares appraised by the Delaware Court of Chancery. Specifically, holders, if any, of shares of Transatlantic common stock who make a stock election (as more fully explained below under "The Merger Agreement Consideration To Be Received in the Merger Stock Election"), but are forced to accept cash consideration in respect of such shares by reason of proration (and not simply cash in lieu of fractional shares) (as more fully explained below under "The Merger Agreement Consideration To Be Received in the Merger Proration"), would be entitled to have the fair value of such shares appraised by the Delaware Court of Chancery if they otherwise comply with the procedures of Section 262. Under Delaware law, holders of shares of Transatlantic common stock who choose not to make an election with respect to the form of merger consideration to be received for their shares will not be entitled to appraisal rights.

As of the date of the mailing of this joint proxy statement/prospectus, we cannot definitively state whether appraisal rights will be available as a result of the merger because (i) the availability of appraisal rights depends on whether and the extent to which the cash consideration is undersubscribed, and (ii) we will not know whether the cash consideration is undersubscribed to the extent that appraisal rights would be available until the election deadline (as more fully explained below under "The Merger Agreement Consideration To Be Received in the Merger"). In the event that the cash consideration is undersubscribed



---

**Table of Contents**

to the extent that appraisal rights would be available, Transatlantic stockholders who have otherwise complied with the requirements of Section 262 will be advised of the availability of appraisal rights within ten days of the merger in the notice of the effective date of the merger required by Section 262. If the cash consideration is not undersubscribed to the extent that appraisal rights would be available, Alleghany will issue a public announcement and file a Current Report on Form 8-K with the SEC informing Transatlantic stockholders that appraisal rights will not be available in connection with the merger.

Because Transatlantic stockholders may be entitled to appraisal rights under certain circumstances, we urge you to read the summary of appraisal rights contained in this joint proxy statement/prospectus under the section entitled **The Merger Appraisal Rights** as well as Section 262, which is attached hereto as Annex G. If you wish to preserve the ability to exercise appraisal rights, you must make a written demand for appraisal of your shares as described in the section entitled **The Merger Appraisal Rights** and in Section 262.

**Q: Who can help answer my questions?**

A: Alleghany stockholders or Transatlantic stockholders who have questions about the merger or the stock issuance, the other matters to be voted on at the special meetings, how to submit a proxy, or desire additional copies of this joint proxy statement/prospectus or additional proxy cards should contact:

**If you are an Alleghany stockholder:**

**D.F. King & Co., Inc.**

48 Wall Street, 22<sup>nd</sup> Floor

New York, NY 10005

Banks and Brokers call: (212) 269-5550

Call toll-free: (800) 290-6429

E-mail: Alleghany@dfking.com

or

**Alleghany Corporation**

7 Times Square Tower

New York, NY 10036

Attn: Investor Relations

(212) 752-1356

**If you are a Transatlantic stockholder:**

**Georgeson Inc.**

199 Water Street

New York, NY 10038

Banks and brokers call: (212) 440-9800

Call toll-free: (888) 613-9817

E-mail: transatlantic@georgeson.com

or

**Transatlantic Holdings, Inc.**

80 Pine Street

New York, NY 10005

Attn: Investor Relations

(212) 365-2200

---

**Table of Contents**

**SUMMARY**

*This summary highlights information contained elsewhere in this joint proxy statement/prospectus and may not contain all the information that is important to you with respect to the merger, the stock issuance and the other matters being considered at the Alleghany and Transatlantic special meetings. Alleghany and Transatlantic urge you to read the remainder of this joint proxy statement/prospectus carefully, including the attached Annexes, and the other documents to which we have referred you. See also the section entitled "Where You Can Find More Information." We have included page references in this summary to direct you to a more complete description of the topics presented below.*

**The Companies**

***Alleghany Corporation (See page 36)***

Alleghany is a Delaware corporation engaged in the property and casualty and surety insurance business through its wholly owned subsidiary Alleghany Insurance Holdings LLC (which we refer to as "AIHL"). AIHL's insurance business is conducted through its wholly owned subsidiaries RSUI Group, Inc. (which we refer to as "RSUI"), Capitol Transamerica Corporation and Platte River Insurance Company (which we refer to collectively as "CATA"), and Pacific Compensation Corporation (which we refer to as "PCC"). AIHL Re LLC (which we refer to as "AIHL Re"), a captive reinsurance subsidiary of AIHL, has in the past provided reinsurance to Alleghany operating units and affiliates. Alleghany's equity investments, including those held by AIHL's insurance operating units, are managed primarily by Alleghany Capital Partners LLC, an indirect, wholly owned subsidiary of Alleghany. Alleghany also owns and manages properties in the Sacramento, California region through its subsidiary Alleghany Properties Holdings LLC (which we refer to as "Alleghany Properties"). In addition, Alleghany owns approximately 33 percent of the outstanding shares of common stock of Homesite Group Incorporated (which we refer to as "Homesite"), a national, full-service, mono-line provider of homeowners insurance, and approximately 38 percent of ORX Exploration, Inc. (which we refer to as "ORX"), a regional oil and gas exploration and production company. Alleghany also makes strategic investments in operating companies and conducts other activities.

Shares of Alleghany common stock are traded on the NYSE under the symbol "Y". Following the merger, shares of Alleghany common stock will continue to be traded on the NYSE under the symbol "Y".

The principal executive offices of Alleghany are located at 7 Times Square Tower, New York, NY 10036 and its telephone number is (212) 752-1356.

***Transatlantic Holdings, Inc. (See page 36)***

Transatlantic Holdings, Inc. is a holding company incorporated in the State of Delaware. Transatlantic, through its wholly owned subsidiaries, Transatlantic Reinsurance Company<sup>®</sup> (which we refer to as "TRC"), Trans Re Zurich Reinsurance Company Ltd., acquired by TRC in 1996 (which we refer to as "TRZ"), and Putnam Reinsurance Company (which we refer to as "Putnam") (contributed by Transatlantic to TRC in 1995), offers reinsurance capacity for a full range of property and casualty products, directly and through brokers, to insurance and reinsurance companies, in both the domestic and international markets on both a treaty and facultative basis. One or both of TRC and Putnam is licensed, accredited, authorized or can serve as a reinsurer in 50 states and the District of Columbia in the United States and in Puerto Rico and Guam. Through its international locations, Transatlantic has operations worldwide, including Bermuda, Canada, seven locations in Europe, three locations in Central and South America, two locations in Asia (excluding Japan), and one location in each of Japan, Australia and Africa. TRC is licensed in Bermuda, Canada, Japan, the United Kingdom, the Dominican Republic, the Hong Kong Special Administrative Region, the People's Republic of China and Australia. Transatlantic was originally formed in 1986 under the name PREINCO Holdings, Inc. as a holding

**Table of Contents**

company for Putnam. Transatlantic's name was changed to Transatlantic Holdings, Inc. on April 18, 1990 following the acquisition on April 17, 1990 of all of the common stock of TRC in exchange for shares of Transatlantic common stock.

Transatlantic's common stock is traded on the NYSE under the symbol TRH. Upon completion of the merger, shares of Transatlantic common stock currently listed on the NYSE will cease to be listed on the NYSE and will subsequently be deregistered under the Exchange Act.

The principal executive offices of Transatlantic are located at 80 Pine Street, New York, New York 10005 and its telephone number is (212) 365-2200.

***Shoreline Merger Sub, Inc. (See page 37)***

Shoreline Merger Sub, Inc., or Merger Sub, is a wholly owned subsidiary of Alleghany and a Delaware corporation. Merger Sub was originally formed on November 10, 2011 as a Delaware limited liability company called Shoreline Merger Sub, LLC for the sole purpose of effecting the merger. At the request of Transatlantic, Alleghany converted Shoreline Merger Sub, LLC into a Delaware corporation which has been assigned the rights and assumed the obligations of Merger Sub under the merger agreement, and as such all references to Merger Sub in the merger agreement and in this joint proxy statement/prospectus shall be deemed to refer to such corporation. In the merger, Transatlantic will be merged with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of Alleghany. Upon completion of the merger, Alleghany intends to operate Transatlantic as an independent standalone subsidiary of Alleghany, which will be renamed Transatlantic Holdings, Inc.

The principal executive offices of Merger Sub are located at 7 Times Square Tower, New York, NY 10036 and its telephone number is (212) 752-1356.

**Risk Factors (See page 27)**

Before voting at the Alleghany special meeting or the Transatlantic special meeting, you should carefully consider all of the information contained in or incorporated by reference into this joint proxy statement/prospectus, as well as the specific factors under the heading Risk Factors, including the risks that:

Because the market price of Alleghany common stock will fluctuate, Transatlantic stockholders cannot be sure of the value of the merger consideration they will receive at closing;

Transatlantic stockholders may receive a form of consideration different from what they elect, depending on the elections of other Transatlantic stockholders;

The merger is subject to a number of conditions, including certain governmental and regulatory conditions that may not be satisfied, or may not be completed on a timely basis, or at all; and

Alleghany and Transatlantic may be unable to successfully integrate their businesses in order to realize the anticipated benefits of the merger or do so within the intended timeframe.

## **Table of Contents**

### **The Merger**

#### ***The Merger Agreement (See page 127)***

Alleghany and Transatlantic have entered into the merger agreement attached as Annex A to this joint proxy statement/prospectus. Alleghany and Transatlantic encourage you to read the entire merger agreement carefully because it is the principal document governing the merger and the stock issuance.

#### ***Effects of the Merger (See page 54)***

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, Transatlantic will be merged with and into Merger Sub, with Merger Sub surviving the merger as a wholly owned subsidiary of Alleghany. Upon completion of the merger, Alleghany intends to operate Transatlantic as an independent standalone subsidiary of Alleghany. We expect that, on a fully diluted basis, the existing stockholders of Alleghany and the former stockholders of Transatlantic will own approximately 51% and 49%, respectively, of the outstanding Alleghany common stock following the merger.

#### ***Consideration to be Received in the Merger (See page 128)***

If the merger is completed, Transatlantic stockholders will have the right to elect to receive merger consideration for each of their shares of Transatlantic common stock in the form of cash or shares of Alleghany common stock, subject to proration in the circumstances described below. In the event of proration, a Transatlantic stockholder may receive merger consideration in respect of some or all of the Transatlantic shares held by such stockholder in a form other than that which such stockholder elected. If the aggregate consideration to be paid to any holder of Transatlantic common stock would result in such holder receiving a fractional share of Alleghany common stock, cash shall be paid in lieu of such fractional share.

The value of the merger consideration will fluctuate with the market price of the Alleghany common stock and will be determined based on the average five-day Alleghany closing price. As explained in more detail in this document, whether a Transatlantic stockholder makes a cash election, a stock election or no election, the value of the consideration that such stockholder receives as of the date of completion of the merger will be approximately equivalent based on the average five-day Alleghany closing price used to calculate the merger consideration. A Transatlantic stockholder may specify different elections with respect to different shares that such stockholder holds (*e.g.*, if a Transatlantic stockholder owns 100 shares of Transatlantic common stock, that stockholder could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

The aggregate amount of cash to be paid to Transatlantic stockholders is fixed in the merger agreement at \$816,007,519. As a result, if the cash election is oversubscribed or undersubscribed, then certain adjustments will be made to the merger consideration to proportionately reduce the cash or stock amounts received by the Transatlantic stockholders in the manner described below in the section entitled *The Merger Agreement Consideration to be Received in the Merger Proration*. To the extent that the number of outstanding shares of Transatlantic increases between the date of the merger agreement and the effective time of the merger, due to the vesting of stock-settled awards or as otherwise permitted by the merger agreement, the aggregate number of shares of Alleghany common stock to be issued as consideration in the merger will be increased accordingly, but the aggregate amount of cash to be paid as consideration will not change.

As an example, based on the average of the closing prices of Alleghany common stock for the five trading days ending on November 18, 2011 (the last trading day before announcement of the merger), for each share of Transatlantic common stock held, a Transatlantic stockholder would receive either approximately \$59.51 in cash or 0.1905 shares of Alleghany common stock, having a market value of \$59.51 based on such average five-day Alleghany closing price, subject to proration if cash was oversubscribed or undersubscribed. As another example, based on the average of the closing prices of Alleghany common stock for the five trading days ending on

**Table of Contents**

January 4, 2012 (the most recent practicable trading date before filing of this joint proxy statement/prospectus), for each share of Transatlantic common stock held, a Transatlantic stockholder would receive either approximately \$55.60 in cash or 0.1948 shares of Alleghany common stock, having a market value of \$55.60 based on such average five-day Alleghany closing price, subject to proration if cash was oversubscribed or undersubscribed. We will compute the actual amount of cash and number of shares of Alleghany common stock that each Transatlantic stockholder will receive in the merger using the formula contained in the merger agreement. For a summary of the formula contained in the merger agreement, see The Merger Agreement.

The following table illustrates the value of the merger consideration for different hypothetical five-day average closing prices of the Alleghany common stock on the NYSE for the five trading days immediately preceding the day on which the merger is completed and, for illustrative purposes only, the effects of proration assuming that 50% of Transatlantic shares elect cash consideration and 50% of Transatlantic shares elect stock consideration. For simplicity, the table assumes that there are 57,388,084 shares of Transatlantic common stock outstanding (which represents the number of shares of Transatlantic common stock outstanding on January 4, 2012, the most recent practicable day before filing of this joint proxy statement/prospectus), that all Transatlantic stockholders make elections and that no Transatlantic stockholders have exercised appraisal rights.

5-day Average Alleghany Closing Stock Price		Illustrative Effect of Proration Assuming 50% Cash Electing Shares 50% Stock Electing Shares				
		Value of the Merger Consideration*	A stockholder electing 1,000 shares for cash will receive approximately		A stockholder electing 1,000 shares for stock will receive approximately	
			Cash**	Shares	Cash**	Shares
\$275	\$	54.10	\$ 28,521	93	\$ 193	196
280		54.82	28,494	94	224	195
285		55.55	28,467	95	257	194
290		56.27	28,438	96	0	194
295		57.00	28,674	96	59	193
300		57.72	28,618	97	120	192
305		58.45	28,560	98	183	191
310		59.17	28,469	99	279	190
315		59.90	28,722	99	32	190
320		60.62	28,630	100	128	189
325		61.35	28,536	101	260	188

\* Market value per share of Transatlantic common stock based on hypothetical five-day average Alleghany closing price.

\*\* Cash amounts reflect that stockholders will receive cash in lieu of fractional shares.

The table above is illustrative only. The value of the merger consideration that a Transatlantic stockholder actually receives will be based on the actual average five-day Alleghany closing price, as described below. The actual average five-day Alleghany closing price may be outside the range of the amounts set forth above, and as a result, the actual value of the merger consideration per share of Transatlantic common stock may not be shown in the above tables.

**Election Form (See page 132)**

Record holders of shares of Transatlantic common stock on January 4, 2012, the Transatlantic record date, will receive an election form with instructions for making cash and/or stock elections. Transatlantic stockholders must properly complete and deliver to the exchange agent an election form by the election deadline (which will be announced in a press release by Alleghany and Transatlantic at least five business days prior to such deadline), accompanied by their Transatlantic stock certificates (or a properly completed notice of guaranteed delivery).





---

## **Table of Contents**

The election form also includes delivery instructions with respect to book-entry shares. Transatlantic stockholders **should NOT send in their stock certificates with their proxy card**. Once Transatlantic stockholders have tendered their Transatlantic stock certificates to the exchange agent, they may not transfer their shares of Transatlantic common stock represented by those stock certificates until the merger is completed, unless they revoke their election by written notice to the exchange agent that is received prior to the election deadline. If the merger is not completed and the merger agreement is terminated, stock certificates will be returned by the exchange agent.

If Transatlantic stockholders fail to submit a properly completed election form, together with their Transatlantic stock certificates (or a properly completed notice of guaranteed delivery), if any, prior to the election deadline, they will be deemed not to have made an election. As non-electing holders, they will be paid merger consideration in an amount per share that is approximately equivalent in value to the amount paid per share to holders making elections, but they may be paid all in cash, all in Alleghany common stock, or in part cash and in part Alleghany common stock, depending on the remaining pool of cash and Alleghany common stock available for paying merger consideration after honoring the cash elections and stock elections that other stockholders have made, and without regard to the preferences of such non-electing holders.

### ***Treatment of Transatlantic Stock Options and Other Long-Term Incentive Awards (See page 119)***

Each outstanding stock option to acquire Transatlantic common stock, whether vested or unvested, will be converted into the right to receive a cash payment equal to the value of such stock option based on an amount determined using the Black-Scholes valuation methodology based on assumptions that are agreed upon by Transatlantic and Alleghany.

Each outstanding Transatlantic restricted stock unit (including each performance-based Transatlantic restricted stock unit) held by an employee or former employee of Transatlantic will be converted into a right to receive cash in an amount equal to the per share merger consideration, with the same terms and conditions as were applicable under such restricted stock unit prior to the conversion, with (i) the cash value of the converted Transatlantic restricted stock units held by employees or former employees of Transatlantic who were designated as participants in the Transatlantic Senior Partners Plan or Partners Plan (collectively, the Partners Plans ) to be deemed to be notionally invested in common units of the surviving company or (ii) the cash value of the converted Transatlantic restricted stock units held by employees or former employees of Transatlantic who were not designated as participants in a Partners Plan may, if so elected by such employee or former employee, be deemed to be notionally invested in common units of the surviving company. For outstanding Transatlantic restricted stock units that are subject to performance goals for which the performance period is not completed as of the closing date of the merger, the level of achievement of the performance goals relating to such performance-based Transatlantic restricted stock units will either be determined based on (i) actual performance as of the closing date of the merger for performance periods that end on or prior to the date that is nine months following the closing date of the merger or (ii) the target level for any performance-based Transatlantic restricted stock unit with a performance period that ends more than nine months following the closing date of the merger.

Each outstanding Transatlantic restricted stock unit held by a non-employee director of Transatlantic will be converted into a fully vested right to receive cash in an amount equal to the per share merger consideration and will be paid in cash at the time specified under the Transatlantic 2008 Non-Employee Directors Stock Plan, with amounts in respect of Transatlantic restricted stock units held by non-employee directors who serve on the Alleghany board of directors following the closing date of the merger to be deemed notionally invested in common stock of Alleghany until the date of distribution to such non-employee director.

### ***Recommendation of the Board of Directors of Alleghany (See page 38)***

In reaching its decision to approve the merger agreement and recommend approval by Alleghany stockholders of the stock issuance proposal, the Alleghany board of directors consulted with Alleghany s

## Table of Contents

management, as well as with Alleghany's legal and financial advisors, and also considered a number of factors that the Alleghany board of directors views as supporting its decision, including, but not limited to, the following:

the fact that the merger will create a company with a greater size and economies of scale, which should enable it to have incremental excess capital, greater capital flexibility, the ability to respond to competitive pressures and an increased opportunity to compete profitably;

that the transaction is accretive to Alleghany's September 30, 2011 book value per share (after adjusting for subsequent share repurchases prior to the transaction announcement) by approximately 7% and tangible book value per share by approximately 10%;

that Alleghany will continue to have, after the merger, conservative financial leverage and will not need to issue any incremental debt in connection with the merger;

that the merger is expected to provide the flexibility to allocate capital to drive superior, risk-adjusted return opportunities in insurance, reinsurance, investments and capital management;

that the addition of Transatlantic is intended to create a more diversified pool of underwriting risk by product and geography and that Transatlantic and Alleghany have compatible underwriting discipline;

that it is expected that Transatlantic will maintain its current financial strength ratings of A+ from Standard & Poor's and A from A.M. Best, which will help Transatlantic preserve its franchise;

the fact that the amount of cash consideration to be issued in the merger is fixed and that the value of the merger consideration will fluctuate based on the market price of Alleghany's common stock;

the provisions in the merger agreement relating to termination of the merger agreement, payment of termination fees (and amounts thereof) and Transatlantic's agreement not to solicit alternative proposals and its obligation to hold a special meeting of its stockholders to vote on approval of the merger agreement regardless of whether the Transatlantic board of directors changes its recommendation FOR adoption of the merger agreement; and

that Davis Advisors, Transatlantic's largest stockholder, is supportive of the merger and has made public statements to this effect. After careful consideration, the Alleghany board of directors approved the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, and determined that the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, are advisable and in the best interests of Alleghany and its stockholders. For more information regarding the factors considered by the Alleghany board of directors in reaching its decision to approve the merger agreement and the transactions thereby contemplated, see the section entitled "The Merger - Alleghany's Reasons for the Merger; Recommendation of the Alleghany Board of Directors. **The Alleghany board of directors recommends that the Alleghany stockholders vote (i) FOR the stock issuance proposal and (ii) FOR the Alleghany adjournment proposal.**

### *Recommendation of the Board of Directors of Transatlantic (See page 45)*

In reaching its decision to approve the merger agreement and recommend adoption of the merger agreement by the Transatlantic stockholders, the Transatlantic board of directors consulted with Transatlantic's management, as well as with Transatlantic's legal and financial advisors, and also considered a number of factors that the Transatlantic board of directors views as supporting its decision, including, but not limited to, the

following:

the review of strategic alternatives conducted by the Transatlantic board of directors and the board of directors' belief, following such review, that the merger would provide greater value to Transatlantic stockholders than other potential strategic alternatives available to Transatlantic;

## Table of Contents

the belief of the Transatlantic board of directors and management that the merger has the potential to create a leading, diversified, specialty-focused insurance and reinsurance franchise with over 60% of the combined premiums derived from specialty insurance and reinsurance;

the fact Transatlantic's largest stockholder, Davis Advisors, expressed support for the merger between Transatlantic and Alleghany during its discussion with the Transatlantic board of directors on November 19, 2011;

the belief of the Transatlantic board of directors and management that the combined company would have a strengthened balance sheet with estimated \$7.2 billion of total capital;

the belief of the Transatlantic board of directors and management that the combined company would have meaningful excess capital and flexibility to allocate capital to the highest risk-adjusted return opportunities, including insurance, reinsurance, investments and capital management;

confirmation from the ratings agencies that Transatlantic would be able to maintain its current financial strength ratings as a subsidiary of Alleghany, especially at S&P, which the Transatlantic board of directors believes is a significant asset to Transatlantic's international business;

the belief of the Transatlantic board of directors and management that property catastrophe exposure of the combined company would remain below Transatlantic's stated tolerances, allowing for future growth;

the fact that Transatlantic stockholders would have the right to elect to receive the merger consideration either in cash or shares of Alleghany common stock, subject to proration; and

the financial terms of the merger, including the fact that, based on the closing price on the NYSE of Alleghany common stock on November 18, 2011 (the last trading day prior to the execution and announcement of the merger agreement), the merger consideration as of November 20, 2011 represented an approximate 36% premium over the closing price of Transatlantic common stock on the NYSE as of June 10, 2011 (the last trading day before public announcement of the since-terminated Agreement and Plan of Merger, dated as of June 12, 2011, by and among Allied World Assurance Company Holdings, AG (which we refer to as Allied World), GO Sub, LLC and Transatlantic).

After careful consideration, the Transatlantic board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Transatlantic and its stockholders. For more information regarding the factors considered by the Transatlantic board of directors in reaching its decision to approve the merger agreement and the merger, see the section entitled *The Merger Transatlantic's Reasons for the Merger; Recommendation of the Transatlantic Board of Directors*. **The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote (i) FOR the adoption of the merger agreement, (ii) FOR the Transatlantic adjournment proposal and (iii) FOR the golden parachute proposal.**

### *Opinions of Alleghany's Financial Advisors (See page 78)*

In connection with a meeting of the Alleghany board of directors held to evaluate the proposed merger, each of UBS Securities LLC (which we refer to as UBS) and Morgan Stanley & Co. LLC (which we refer to as Morgan Stanley) delivered to Alleghany's board of directors written opinions, dated November 20, 2011, to the effect that, as of that date and based on and subject to various assumptions, matters considered, qualifications and limitations described in their respective opinions, the merger consideration, to be paid by Alleghany in the merger was fair, from a financial point of view, to Alleghany.



---

**Table of Contents**

The full texts of the written opinions of UBS and Morgan Stanley, each dated November 20, 2011, which set forth, among other things, the assumptions made, procedures followed, matters considered, and limitations, qualifications and conditions to the review undertaken by each of UBS and Morgan Stanley in connection with their opinions, are attached as Annex B and Annex C, respectively, to this joint proxy statement/prospectus and are incorporated herein by reference. Holders of Alleghany common stock are encouraged to read each opinion carefully in its entirety. The opinions were directed to, and provided for the benefit of, the Alleghany board of directors (in its capacity as such), in connection with, and for the purpose of, its evaluation of the merger consideration to be paid by Alleghany in the Transaction, and do not address any other aspect of the merger. Neither opinion addresses the prices at which the Alleghany common stock will trade following consummation of the merger or at any time. Neither opinion addresses the relative merits of the merger as compared to other business strategies or transactions that might be available to Alleghany or Alleghany's underlying business decision to effect the merger. Neither opinion constitutes a recommendation to any stockholder as to how such stockholder should vote or act with respect to the merger.

***Opinion of Transatlantic's Financial Advisor Goldman, Sachs & Co. (See page 94)***

Goldman, Sachs & Co. (which we refer to as Goldman Sachs) delivered its opinion to the board of directors of Transatlantic that, as of November 20, 2011 and based upon and subject to the limitations and assumptions set forth therein, the merger consideration to be paid to the holders (other than Alleghany and its affiliates) of the outstanding shares of Transatlantic common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The merger consideration is subject to certain procedures and limitations contained in the merger agreement, as to which procedures and limitations Goldman Sachs expressed no opinion.

The full text of the written opinion of Goldman Sachs, dated as of November 20, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex D. Goldman Sachs provided its opinion for the information and assistance of the board of directors of Transatlantic in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of shares of Transatlantic common stock should vote or make any election with respect to the merger or any other matter. Pursuant to an engagement letter between Transatlantic and Goldman Sachs, Transatlantic will pay Goldman Sachs a transaction fee of \$21,000,000, which is contingent upon consummation of the merger.

For a more complete description, see The Merger Opinion of Transatlantic's Financial Advisor Goldman, Sachs & Co. in this joint proxy statement/prospectus. See also Annex D to this joint proxy statement/prospectus.

***Opinion of Transatlantic's Financial Advisor Moelis & Company LLC (See page 101)***

Moelis & Company LLC (which we refer to as Moelis) delivered its opinion to the Transatlantic board of directors that, as of November 20, 2011 and based upon and subject to the conditions and limitations set forth therein, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of Transatlantic common stock.

The full text of the written opinion of Moelis, dated November 20, 2011, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with its opinion, is attached to this joint proxy statement/prospectus as Annex E. The summary of Moelis' opinion contained in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Moelis provided its opinion for the information and assistance of

---

**Table of Contents**

the Transatlantic board of directors in connection with its consideration of the merger. Moelis' opinion does not constitute a recommendation to any holder of Transatlantic common stock as to how such stockholder should vote with respect to the merger or as to which election to make with respect to the merger consideration or any other matter. In addition, Moelis was not requested to opine as to, and its opinion does not in any manner address, Transatlantic's underlying business decision to effect the merger or the relative merits of the merger as compared to any alternative business strategies or transactions that might be available to Transatlantic. See also **The Merger Opinion of Transatlantic's Financial Advisor Moelis & Company LLC.**

***Interests of Alleghany's Directors and Executive Officers in the Merger (See page 112)***

Executive officers of Alleghany have interests in the merger that may be different from, or in addition to, the interests of Alleghany stockholders generally. The Alleghany board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement, including the merger and the stock issuance, and in recommending that Alleghany stockholders vote to approve the stock issuance and Alleghany adjournment. For additional information regarding the interests of Alleghany directors and executive officers in the merger, please see the section entitled **The Merger Interests of Alleghany's Directors and Executive Officers in the Merger.**

***Interests of Transatlantic's Directors and Executive Officers in the Merger (See page 112)***

Executive officers and members of the Transatlantic board of directors have interests in the merger that may be in addition to, or different from, the interests of Transatlantic stockholders generally.

As detailed below under **The Merger Alleghany Board of Directors and Management Following the Merger**, certain of Transatlantic's executive officers and members of the Transatlantic board of directors will continue to serve as officers or directors of the combined company or Transatlantic (as a subsidiary of Alleghany) upon completion of the merger. Specifically, upon completion of the merger, the Alleghany board of directors will be expanded to 14 members and will include three directors who currently serve on the Transatlantic board of directors. In addition, Mr. Michael C. Sapnar will be appointed as President and Chief Executive Officer of Transatlantic following the merger.

Transatlantic has various equity programs that provide for double trigger payments (*i.e.*, payments upon certain termination events in proximity to a change in control). The merger will constitute a change in control for purposes of such arrangements. Transatlantic, however, does not currently expect the employment of Transatlantic's executive officers to be terminated at or following the closing of the merger. As such, double trigger vesting under Transatlantic's equity programs are not expected to be triggered with respect to any executive officers. Further, pursuant to the merger agreement, Transatlantic and Alleghany will each use their respective reasonable best efforts to agree to terms of retention agreements for certain executives, including each of Transatlantic's executive officers other than Robert F. Orlich.

Each outstanding option to acquire Transatlantic common stock held by an executive officer of Transatlantic, whether vested or unvested, will be converted into the right to receive a cash payment equal to the value of such stock option based on an amount determined using the Black-Scholes valuation methodology based on assumptions that are agreed upon by Transatlantic and Alleghany. Each outstanding restricted stock unit held by an executive officer of Transatlantic (including each performance-based Transatlantic restricted stock unit) will be converted into a right to receive cash in an amount equal to the per share merger consideration, with the terms and conditions as were applicable under such restricted stock unit prior to the conversion (including vesting or forfeiture provisions), with the cash value of the converted Transatlantic restricted stock units deemed to be notionally invested in the common units of the surviving company. Outstanding Transatlantic restricted



---

**Table of Contents**

stock units held by an executive officer of Transatlantic that are subject to performance goals will be treated as follows: (i) the level of achievement of the applicable performance goal for any performance based Transatlantic restricted stock unit with a performance period that ends on or prior to the date that is nine months following the closing date of the merger will be determined based on actual performance through the closing date of the merger and (ii) the level of achievement of the applicable performance goal for any performance-based Transatlantic restricted stock unit with a performance period that ends more than nine months following the closing date of the merger will be deemed to be earned at target level. Each outstanding Transatlantic restricted stock unit held by a non-employee director of Transatlantic will be converted into a fully vested right to receive cash in an amount equal to the per share merger consideration and will be paid in cash at the time specified under the Transatlantic 2008 Non-Employee Directors Stock Plan, with amounts in respect of Transatlantic restricted stock units held by non-employee directors who continue service with the Alleghany board of directors following the closing date of the merger to be deemed notionally invested in common stock of Alleghany until the date of distribution to such non-employee director. For additional information regarding the interests of Transatlantic directors and executive officers in the merger, please see the section entitled "The Merger: Interests of Transatlantic's Directors and Executive Officers in the Merger."

The Transatlantic board of directors was aware of and considered these potential interests, among other matters, in evaluating and negotiating the merger agreement and in recommending that Transatlantic stockholders adopt the merger agreement.

***Governance Matters Following the Merger (See page 141)***

Alleghany has agreed to take all necessary action to cause, effective at the effective time of the merger, the number of directors on the Alleghany board of directors to be increased from 11 to 14 and three persons who were members of the Transatlantic board of directors immediately prior to the effective time of the merger as mutually agreed by Alleghany and Transatlantic to be elected to the Alleghany board of directors. The Alleghany board of directors has three classes of directors, with one of such classes elected each year. One of the three Transatlantic directors shall become a Class I director, another a Class II director and the third a Class III director.

In addition, Alleghany and Transatlantic have agreed to cause the board of directors of Alleghany after the merger to adopt a written consent (i) appointing Robert F. Orlich as a senior advisor to Transatlantic, (ii) appointing Michael C. Sapnar as President and Chief Executive Officer of Transatlantic and (iii) appointing Weston M. Hicks, Roger B. Gorham, Michael C. Sapnar, Robert F. Orlich and Joseph P. Brandon to the board of directors of Transatlantic Holdings, Inc. following the merger. In addition, following completion of the merger, Joseph P. Brandon, former chief executive of Berkshire Hathaway's wholly owned subsidiary General Re Corporation, will serve as President of AIHL, Executive Vice President of Alleghany, and Chairman of the board of directors of Transatlantic Holdings, Inc.

Transatlantic has also agreed, prior to the effective time of the merger, to cause all directors of Transatlantic to resign effective as of the effective time of the merger.

In the event that the merger is not completed, the foregoing director elections, officer appointments and director resignations will not take effect.

***Regulatory Clearances Required for the Merger (See page 119)***

Alleghany and Transatlantic have each agreed to take certain actions in order to obtain regulatory clearance required to consummate the merger. Regulatory clearance required to complete the merger includes expiration or termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (which we refer to as the "HSR Act"), following

## **Table of Contents**

required notifications and review by the Antitrust Division of the U.S. Department of Justice (which we refer to as the Antitrust Division ) or the Federal Trade Commission (which we refer to as the FTC ). The parties filed the required notifications with the Antitrust Division and the FTC on December 8, 2011, and the FTC granted early termination of the applicable waiting period on December 16, 2011. Alleghany and Transatlantic have also filed notifications with the relevant competition authorities in Italy and Turkey.

In addition, certain insurance regulatory filings will also be required to be made in connection with the merger. State insurance laws in the United States generally require that, prior to the acquisition of an insurance company, the acquiring party must obtain approval from the insurance commissioner of the insurance company's state of domicile, and the parties have and will make the required filings in accordance with such laws. In addition, applications or notifications have been or will be filed with various insurance regulatory authorities outside of the United States in connection with the changes in control that may be deemed to occur as a result of the transactions contemplated by the merger agreement. Receipt of approval by the New York DFS is a condition to completion of the merger. It is also a condition to completion of the merger that all other consents of or filings with insurance regulators shall have been obtained or made except where the failure to obtain such consents or make such filings would not reasonably be expected to be materially adverse to Alleghany and its subsidiaries, taken as a whole, or Transatlantic and its subsidiaries, taken as a whole (after giving effect to the merger).

While Alleghany and Transatlantic expect to obtain all required regulatory clearances, we cannot assure you that these regulatory clearances will be obtained or that the granting of these regulatory clearances will not involve the imposition of additional conditions on the completion of the merger, including the requirement to divest assets, or require changes to the terms of the merger agreement. These conditions or changes could result in the conditions to the merger not being satisfied.

### ***Effective Time and Completion of the Merger (See page 128)***

Alleghany and Transatlantic hope to complete the merger as soon as reasonably practicable and expect the closing of the merger to occur in the first quarter of 2012. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of Alleghany and Transatlantic could result in the merger being completed at an earlier time, a later time or not at all. There may be a substantial amount of time between the dates on which the special meetings are held and the date on which the merger is completed.

### ***Conditions to Completion of the Merger (See page 142)***

The obligations of Alleghany and Transatlantic to complete the merger are subject to the satisfaction of the following conditions:

approval by the Alleghany stockholders of the stock issuance proposal;

adoption by the Transatlantic stockholders of the merger agreement;

authorization of the listing on the NYSE of the shares of Alleghany common stock to be issued in the merger, subject to official notice of issuance;

the waiting period (and any extension thereof) applicable to the merger under the HSR Act having expired or been earlier terminated;

approval by the New York DFS;

all other consents and approvals of, and filings with, governmental agencies and applicable insurance regulatory authorities having been made, having been received, or having been terminated or expired, other than those that would not reasonably be expected to be materially adverse to Alleghany and its



**Table of Contents**

subsidiaries, taken as a whole, or Transatlantic and its subsidiaries, taken as a whole, after giving effect to the merger;

effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose; and

the absence of any order, injunction, decree, statute, rule or regulation by a court or other governmental entity that makes illegal or prohibits the completion of the merger or the other transactions contemplated by the merger agreement.

In addition, each of Alleghany's and Transatlantic's obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of each party, other than the representations related to the shares issued and outstanding or reserved for issuance, the necessary corporate power and authority to execute and deliver the merger agreement, and the brokers' and finders' fees, will be true and correct (without giving effect to any materiality qualifications contained in such representations and warranties) as of the date of the merger agreement and as of the closing date (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such specified date), except where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to materiality or to material adverse effect set forth therein), individually or in the aggregate, has not had, and would not reasonably be expected to have, a material adverse effect on such party;

the representations and warranties of each party relating to the shares issued and outstanding or reserved for issuance, the necessary corporate power and authority to execute and deliver the merger agreement, and the brokers' and finders' fees, will be true and correct in all material respects as of the date of the merger agreement and as of the closing date (except to the extent such representations or warranties were made as of an earlier date, in which case, as of such earlier date);

each party having performed or complied with, in all material respects, all its obligations under the merger agreement at or prior to the effective time of the merger;

receipt of a certificate executed by each party's chief executive officer or chief financial officer as to the satisfaction of the conditions described in the preceding three bullet points; and

each party having received from its respective counsel a written opinion to the effect that the merger will qualify as a reorganization within the meaning of the Internal Revenue Code of 1986, as amended (which we refer to as the Code). This condition is not waivable after receipt of approval of the transaction by such party's stockholders.

Transatlantic's obligation to effect the merger is also subject to the Alleghany board of directors having taken the actions described in the section entitled "The Merger Agreement Governance Matters Following the Merger." See the section entitled "The Merger Agreement Conditions to Completion of the Merger" for a further discussion of the conditions to closing of the merger.

***No Solicitation of Alternative Proposals (See page 138)***

The merger agreement precludes Alleghany and Transatlantic from soliciting or engaging in discussions or negotiations with a third party with respect to a proposal for a competing transaction, including the acquisition of a significant interest in Alleghany's or Transatlantic's common stock or assets. However, if Alleghany or Transatlantic receives an unsolicited proposal from a third party for a competing transaction that Alleghany's or Transatlantic's board of directors, as applicable, among other things, determines in good faith (after consultation



## **Table of Contents**

with its outside legal advisors and financial advisors) (i) constitutes or is reasonably likely to lead to a proposal that is superior to the merger and (ii) with respect to which the failure to enter into discussions would result in a breach of its fiduciary duties under applicable law, Alleghany or Transatlantic, as applicable, may, subject to certain conditions, furnish non-public information to and enter into discussions with, and only with, that third party regarding such competing transaction.

See the section entitled *The Merger Agreement No Solicitation of Alternative Proposals* for a further discussion of each party's covenant not to solicit alternative acquisition proposals.

### ***Termination of the Merger Agreement (See page 143)***

Generally, the merger agreement may be terminated and the merger may be abandoned at any time prior to the completion of the merger (except as specified below, including after the required Alleghany stockholder approvals or Transatlantic stockholder approvals are obtained):

by mutual written consent of Alleghany and Transatlantic;

by either the Alleghany or Transatlantic board of directors:

if any governmental entity issues a final and nonappealable order permanently enjoining or otherwise prohibiting the completion of the merger, except that no party may terminate the merger agreement if such party's breach of its obligations proximately contributed to the issuance of such order;

if the Alleghany stockholders fail to approve the stock issuance at an Alleghany special meeting;

if the Transatlantic stockholders fail to adopt the merger agreement at a Transatlantic special meeting; or

if the merger is not consummated by June 30, 2012 (which we refer to as the *end date*), subject to extension by mutual agreement of the parties, provided that no party may terminate the merger agreement if such party's breach of its obligations proximately contributed to the failure to close by the end date;

by the Alleghany board of directors upon a breach of any covenant or agreement on the part of Transatlantic, or if any representation or warranty of Transatlantic fails to be true, in either case such that the conditions to Alleghany's obligations to complete the merger would not then be satisfied and such failure is not reasonably capable of being cured or Transatlantic is not using its reasonable best efforts to cure such failure;

by the Transatlantic board of directors upon a breach of any covenant or agreement on the part of Alleghany, or if any representation or warranty of Alleghany fails to be true, in either case such that the conditions to Transatlantic's obligations to complete the merger would not then be satisfied and such failure is not reasonably capable of being cured or Alleghany is not using its reasonable best efforts to cure such failure;

by the Alleghany board of directors if, prior to obtaining the approval of the Transatlantic stockholders, the Transatlantic board of directors makes an adverse recommendation change; or

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

by the Transatlantic board of directors if, prior to obtaining the approval of the Alleghany stockholders, the Alleghany board of directors makes an adverse recommendation change.

See the section entitled "The Merger Agreement Termination of the Merger Agreement" for a further discussion of the rights of each of Alleghany and Transatlantic to terminate the merger agreement.

## **Table of Contents**

### ***Expenses and Termination Fees; Liability for Breach (See page 144)***

Generally, all fees and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this joint proxy statement/prospectus whereby Alleghany or Transatlantic, as the case may be, may be required to pay a termination fee of \$115 million or \$35 million and/or the reimbursement of expenses up to a maximum amount of \$35 million.

See the section entitled *The Merger Agreement Expenses and Termination Fees; Liability for Breach* for a further discussion of the circumstances under which such termination fees and/or expense reimbursement will be required to be paid.

### ***Accounting Treatment (See page 153)***

Alleghany and Transatlantic each prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (which we refer to as *GAAP*) and any statutory accounting principles prescribed or permitted by the domiciliary state insurance department of the applicable subsidiary (which we refer to as *SAP*). The merger will be accounted for using the acquisition method of accounting. Alleghany will be treated as the acquirer for accounting purposes.

See the section entitled *Accounting Treatment* for a further discussion of the accounting treatment of the transaction.

### ***Appraisal Rights (See page 121)***

Depending upon the elections made by holders of shares of Transatlantic common stock with respect to the form of consideration to be received in the merger, Delaware law may entitle the holders of shares of Transatlantic common stock, who comply with the procedures specified in Section 262, to have their shares appraised by the Delaware Court of Chancery. Specifically, holders, if any, of shares of Transatlantic common stock who make a stock election (as more fully explained below under *The Merger Agreement Consideration To Be Received in the Merger Stock Election*), but are forced to accept cash consideration in respect of such shares by reason of proration (and not simply cash in lieu of fractional shares) (as more fully explained below under *The Merger Agreement Consideration To Be Received in the Merger Proration*), would be entitled to have the fair value of such shares appraised by the Delaware Court of Chancery if they otherwise comply with the procedures set forth in Section 262. Under Delaware law, holders of shares of Transatlantic common stock who choose not to make an election with respect to the form of merger consideration to be received for their shares will not be entitled to appraisal rights.

As of the date of the mailing of this joint proxy statement/prospectus, we cannot definitively state whether appraisal rights will be available as a result of the merger because (i) the availability of appraisal rights depends on whether the cash consideration is undersubscribed to the extent that appraisal rights would be available, and (ii) we will not know whether the cash consideration is undersubscribed to the extent that appraisal rights would be available until the election deadline (as more fully explained below under *The Merger Agreement Consideration To Be Received in the Merger*). In the event that the cash consideration is undersubscribed to the extent that appraisal rights would be available, Transatlantic stockholders who have otherwise complied with the requirements of Section 262 will be advised of the availability of appraisal rights within ten days of the merger in the notice of the effective date of the merger required by Section 262. If the cash consideration is not undersubscribed to the extent that appraisal rights would be available, Alleghany will issue a public announcement and file a Current Report on Form 8-K with the SEC informing Transatlantic stockholders that appraisal rights will not be available in connection with the merger.

Because Transatlantic stockholders may be entitled to appraisal rights under certain circumstances, we urge you to read the summary of appraisal rights contained in this joint proxy statement/prospectus under the section



---

**Table of Contents**

entitled *The Merger Appraisal Rights* as well as Section 262, which is attached hereto as Annex G. If you wish to preserve the ability to exercise appraisal rights, you must make a written demand for appraisal of your shares as described in the section entitled *The Merger Appraisal Rights* and in DGCL Section 262.

***Litigation Related to the Merger (See page 125)***

On November 22, 2011, a putative stockholder class action lawsuit was filed against Transatlantic, Transatlantic's directors, Alleghany, and Shoreline Merger Sub, LLC in New York State court in connection with the merger agreement: *Clark v. Transatlantic Holdings, et al.*, Index No. 653256/2011 (Supreme Court of the State of New York, County of New York). The lawsuit asserts that the members of the Transatlantic board of directors breached a fiduciary duty in connection with the approval of the merger and that Transatlantic, Alleghany and Shoreline Merger Sub, LLC aided and abetted the alleged breaches of fiduciary duty. Transatlantic, Alleghany and their respective directors believe this lawsuit is without merit and intend to defend it vigorously. In addition, Transatlantic is party to a number of lawsuits relating to (i) the since-terminated Agreement and Plan of Merger, dated as of June 12, 2011, by and among Allied World, GO Sub, LLC and Transatlantic and (ii) the terminated exchange offer and solicitation of written consents commenced by Validus Holdings, Ltd. (which we refer to as *Validus*). For further information regarding the litigation related to the merger, see the section entitled *The Merger Litigation Related to the Merger*.

***Listing of Alleghany Shares; De-listing and Deregistration of Shares of Transatlantic Common Stock (See page 121)***

It is a condition to the completion of the merger that the shares of Alleghany common stock to be issued to Transatlantic stockholders pursuant to the merger be authorized for listing on the NYSE at the effective time of the merger, subject to official notice of issuance. Upon completion of the merger, shares of Transatlantic common stock currently listed on the NYSE will cease to be listed on the NYSE and will subsequently be deregistered under the Exchange Act.

See the sections entitled *The Merger Listing of Alleghany Shares* and *The Merger De-listing and Deregistration of Transatlantic Common Stock* for a further discussion of the listing of Alleghany shares and de-listing of Transatlantic common stock in connection with the merger.

***The Merger Will Generally Be Tax-Free to Holders of Transatlantic Common Stock That Receive Only Alleghany Common Stock and Taxable to Holders That Receive Cash (See page 150)***

Neither Alleghany nor Transatlantic will be required to complete the merger unless it receives a legal opinion to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. These opinion conditions will not be waivable by a party after such party's stockholders have approved the stock issuance proposal (in the case of Alleghany) or the proposal to adopt the merger agreement (in the case of Transatlantic), unless further approval of the stockholders of Alleghany or Transatlantic, as applicable, is obtained with appropriate disclosure. Accordingly, we expect the transaction to generally be tax-free to holders of Transatlantic common stock for United States federal income tax purposes to the extent that such holders receive only shares of Alleghany common stock pursuant to the merger. Those holders receiving solely cash for their Transatlantic common stock will generally recognize gain or loss equal to the difference between the amount of cash received and their tax basis in their shares of Transatlantic common stock. Those holders receiving both Alleghany common stock and cash for their Transatlantic common stock will generally recognize gain, but not loss, equal to the lesser of (1) the amount of cash received and (2) the excess of the amount realized in the transaction (*i.e.*, the fair market value of the Alleghany common stock at the effective time of the merger plus the amount of cash received) over their tax basis in their Transatlantic common stock. In certain circumstances, such gain or, in the case of recipients of cash only, the entire amount of cash received, could be

---

**Table of Contents**

taxable as a dividend rather than capital gain. For a further summary of the United States federal income tax consequences of the merger to holders of Transatlantic common stock, please see Material U.S. Federal Income Tax Consequences.

*The U.S. federal income tax consequences described above may not apply to all holders of Transatlantic common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

**The Meetings**

***The Alleghany Special Meeting (See page 38)***

The Alleghany special meeting will be held at the Harvard Club of New York City, 35 West 44<sup>th</sup> Street, New York, New York, on February 6, 2012, at 10:00 a.m., New York City time, to consider and vote upon the following matters:

the stock issuance proposal; and

the Alleghany adjournment proposal.

Completion of the merger is conditioned on, among other things, approval of the stock issuance proposal.

The approval of the stock issuance proposal requires the affirmative vote of holders of a majority of the shares of Alleghany common stock, present in person or represented by proxy, at the Alleghany special meeting and entitled to vote on the proposal, assuming a quorum is present. Approval of the Alleghany adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present.

Only holders of record of Alleghany common stock at the close of business on January 4, 2012, the Alleghany record date, are entitled to notice of, and to vote at, the Alleghany special meeting or any adjournments or postponements thereof. At the close of business on the Alleghany record date, 8,551,646 shares of Alleghany common stock were issued and outstanding, approximately 7.5% of which were held by Alleghany's directors and executive officers and their affiliates. We currently expect that Alleghany's directors and executive officers will vote their shares in favor of each of the proposals to be considered and voted upon at the Alleghany special meeting, although, except as described below, no director or executive officer has entered into any agreement obligating him or her to do so. Certain members of the Kirby family (including Jefferson W. Kirby, the Chairman of the Alleghany board of directors, in his capacity as an Alleghany stockholder) with longstanding ownership interests in Alleghany common stock have entered into voting agreements with Transatlantic. The voting agreements provide, among other things, that these Alleghany stockholders have irrevocably agreed, on the terms and subject to the conditions specified in the voting agreements, to vote all shares of Alleghany common stock owned by such stockholders in favor of the stock issuance proposal, against competing proposals and against any action or agreement that would be expected to materially impair the ability of Alleghany or Merger Sub to complete the merger. A form of voting agreement entered into by these Alleghany stockholders is included as Annex F hereto. As of November 18, 2011, the last trading day before announcement of the merger, these stockholders held an aggregate of approximately 1,594,958 shares of Alleghany common stock (representing approximately 18.65% of the outstanding shares of Alleghany common stock as of November 18, 2011 and as of the Alleghany record date).

Alleghany may postpone or adjourn its special meeting to a date that is no later than 30 days after the date on which the original special meeting was scheduled to be held (i) with the consent of Transatlantic, (ii) in order for a quorum to be present, (iii) to allow reasonable additional time for the filing and mailing of any supplemental disclosure which must be disseminated under applicable law, (iv) to allow reasonable additional time to solicit additional proxies, (v) if required by applicable law, or (vi) if Alleghany intends to make an adverse recommendation change.

---

**Table of Contents**

The Alleghany board of directors has approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, are advisable and in the best interests of Alleghany and its stockholders. The Alleghany board of directors recommends that Alleghany stockholders vote FOR the stock issuance and FOR the Alleghany adjournment proposal. See The Alleghany Special Meeting for further discussion of the Alleghany special meeting.

***The Transatlantic Special Meeting (See page 45)***

The Transatlantic special meeting will be held at The Down Town Association, 60 Pine Street, New York, New York, on February 6, 2012, at 10:00 a.m., New York City time, to consider and vote upon the following matters:

the proposal to adopt the merger agreement;

the Transatlantic adjournment proposal; and

the golden parachute proposal.

Completion of the merger is conditioned on, among other things, adoption of the merger agreement.

You may cast one vote for each share of Transatlantic common stock you own. However, to satisfy the requirements of the New York DFS, on June 8, 2009, Davis Advisors, entered into an agreement with Transatlantic whereby Davis Advisors agreed to vote the number of shares of Transatlantic common stock owned by Davis Advisors in excess of 9.9% of Transatlantic's outstanding shares in a manner proportionate to the vote of the owners of the shares (excluding Davis Advisors, stockholders beneficially owning more than 10% of Transatlantic's outstanding shares, and directors and officers of Transatlantic) voting on such matters. On November 21, 2011, Davis Advisors publicly stated its current intention to vote in support of the merger but reserves the right to change its mind. As of November 21, 2011, Davis Advisors was the beneficial holder of approximately 14,278,940 shares of Transatlantic common stock (representing approximately 24.9% of the outstanding shares of Transatlantic common stock as of November 21, 2011 and as of the Transatlantic record date).

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Transatlantic common stock entitled to vote thereon. Approval of the Transatlantic adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Approval of the golden parachute proposal requires the affirmative vote of holders of a majority of the shares of Transatlantic common stock present in person or represented by proxy at the Transatlantic special meeting and entitled to vote thereon, assuming a quorum is present. Neither approval of the Transatlantic adjournment proposal nor the golden parachute proposal is a condition to completion of the merger.

Only holders of record of Transatlantic common stock at the close of business on January 4, 2012, the Transatlantic record date, are entitled to notice of, and to vote at, the Transatlantic special meeting or any adjournments or postponements thereof. At the close of business on the Transatlantic record date, 57,388,084 shares of Transatlantic common stock were issued and outstanding, approximately 0.4% of which were held by Transatlantic's directors and executive officers and their affiliates. We currently expect that Transatlantic's directors and executive officers will vote their shares in favor of each of the proposals to be considered and voted upon at the Transatlantic special meeting, although no director or executive officer has entered into any agreement obligating him or her to do so.

Transatlantic may postpone or adjourn its special meeting to a date that is no later than 30 days after the date on which the original special meeting was scheduled to be held (i) with the consent of Alleghany, (ii) in order for a quorum to be present, (iii) to allow reasonable additional time for the filing and mailing of any supplemental

## **Table of Contents**

disclosure which must be disseminated under applicable law, (iv) to allow reasonable additional time to solicit additional proxies, (v) if required by applicable law, or (vi) if Transatlantic intends to make an adverse recommendation change.

The Transatlantic board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Transatlantic and its stockholders. The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote FOR the adoption of the merger agreement, FOR the Transatlantic adjournment proposal and FOR the golden parachute proposal. See The Transatlantic Special Meeting for further discussion of the Transatlantic special meeting.

### **Comparison of Stockholders Rights (See page 168)**

Transatlantic stockholders, whose rights are currently governed by the Transatlantic restated certificate of incorporation (which we refer to as the Transatlantic charter ) and the Transatlantic amended and restated by-laws (which we refer to as the Transatlantic bylaws ) will, to the extent such holders receive Alleghany common stock in the merger, upon completion of the merger, become stockholders of Alleghany and their rights will be governed by the restated certificate of incorporation of Alleghany (which we refer to as the Alleghany charter ) and the amended and restated by-laws of Alleghany (which we refer to as the Alleghany bylaws ). These differences are described in detail under Comparison of Stockholders Rights.

### **Dividends (See page 121)**

Under the terms of the merger agreement, each of Alleghany and Transatlantic is prohibited from paying dividends on its common stock and from repurchasing shares of its common stock during the pendency of the merger. However, Transatlantic is permitted to pay to its common stockholders of record on November 16, 2011 the \$0.22 per share dividend previously declared, which dividend was paid on December 2, 2011.

**Table of Contents****Comparative Per Share Market Price Information**

The following table presents the closing prices of Alleghany common stock and Transatlantic common stock on the NYSE on November 18, 2011, the last trading day before announcement of the merger, and January 4, 2012, the most recent practicable date prior to the date of this joint proxy statement/prospectus. The table also presents the closing sales prices calculated by averaging the closing sales prices for shares of Alleghany common stock on each of the trading days during the period of five trading days ending on such dates. The table also presents the approximately equivalent value of the per share merger consideration of Transatlantic common stock on those dates, calculated by multiplying the average five-day closing price of Alleghany common stock ending on those dates by 0.145 and adding \$14.22, representing the approximate value that Transatlantic stockholders will be entitled to receive, in exchange for each share of Transatlantic common stock they hold at the effective time of the merger, assuming no proration.

	Alleghany Common Stock (Close)	Alleghany Common Stock (Five-Day Average Close)	Transatlantic Common Stock (Close)	Equivalent Per Share Value
November 18, 2011	\$ 314.26	\$ 312.37	\$ 54.43	\$ 59.51
January 4, 2012	\$ 285.00	\$ 285.38	\$ 54.82	\$ 55.60

The market prices of shares of Alleghany and Transatlantic common stock fluctuate, and the value of the merger consideration will fluctuate with the market price of the Alleghany common stock and will be determined based on the average five-day Alleghany closing price. As a result, we urge you to obtain current market quotations of Alleghany and Transatlantic common stock.

**Table of Contents****Summary Consolidated Historical Financial Data of Alleghany**

The following table sets forth selected historical consolidated financial data of Alleghany. This data is derived from Alleghany's Consolidated Financial Statements as of and for the five years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively, and the unaudited quarterly financial statements as of and for the nine months ended September 30, 2011 and 2010, which in the opinion of management include all adjustments necessary for a fair statement of the results for the unaudited interim periods. This selected financial data should be read in conjunction with Alleghany's Consolidated Financial Statements and related notes included elsewhere in Alleghany's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and Alleghany's quarterly report on Form 10-Q for the quarter ended September 30, 2011, each of which is incorporated by reference in this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

	Nine Months Ended September 30,			Year Ended December 31,			
	2011	2010	2010	2009	2008	2007	2006
(\$ in thousands, except shares, per share amounts and ratios)							
<b>Summary Statement of Earnings Data:</b>							
Net premiums earned	\$ 555,067	\$ 574,141	\$ 768,134	\$ 845,015	\$ 948,652	\$ 974,321	\$ 877,750
Net investment income	82,174	93,547	125,012	101,949	130,184	146,082	127,935
Net realized capital gains	63,888	87,023	97,374	320,389	151,713	100,425	32,880
Other than temporary impairment losses	(2,756)	(9,233)	(12,356)	(85,916)	(243,881)	(7,659)	(4,668)
Other income	1,454	6,946	7,188	2,955	2,432	15,427	26,435
Loss and loss adjustment expenses	315,418	286,070	377,937	442,104	570,019	449,052	410,335
Commissions, brokerage and other underwriting expenses	198,899	195,331	259,335	273,722	286,573	257,198	215,533
Other operating expenses	21,514	26,861	37,157	45,615	34,861	55,604	47,361
Corporate administration	14,030	20,111	28,854	26,938	35,895	32,987	41,667
Interest expense	13,049	1,131	4,698	633	700	1,476	5,626
Income tax expense	31,337	61,848	78,869	124,381	20,485	144,737	98,863
Earnings from continuing operations	\$ 105,580	\$ 161,072	\$ 198,502	\$ 270,999	\$ 40,567	\$ 287,542	\$ 240,947
<b>Per Share Data(1):</b>							
Earnings per share from continuing operations:							
Basic	\$ 11.89	\$ 17.67	\$ 21.85	\$ 29.25	\$ 2.65	\$ 30.65	\$ 26.34
Diluted	11.76	17.64	21.85	28.51	2.65	29.07	25.66
Weighted average number of common shares outstanding:							
Basic	8,881,601	9,115,498	9,081,535	9,055,920	8,822,449	8,818,589	8,807,864
Diluted	8,884,693	9,126,984	9,081,535	9,518,478	8,822,449	9,902,423	9,408,961
Cash dividends declared per share	\$	\$	\$	\$	\$	\$	\$

	Nine Months Ended September 30,			Year Ended December 31,			
	2011	2010	2010	2009	2008	2007	2006
<b>Selected Ratios:</b>							
Loss ratio(2)	56.8%	49.8%	49.2%	52.3%	60.1%	46.1%	46.7%
Expense ratio(3)	35.8%	34.0%	33.8%	32.4%	30.2%	26.4%	24.6%
Combined ratio(4)	92.6%	83.8%	83.0%	84.7%	90.3%	72.5%	71.3%

	As of September 30,			As of December 31,			
	2011	2010	2010	2009	2008	2007	2006
(\$ in thousands)							
<b>Summary Balance Sheet Data:</b>							
Cash	\$ 90,479	\$ 103,459	\$ 76,741	\$ 32,526	\$ 18,125	\$ 57,646	\$ 41,458
Total investments	4,713,395	4,749,203	4,805,202	4,414,689	4,276,141	4,251,298	3,658,042
Reinsurance recoverables	858,502	919,056	873,295	976,172	1,056,438	1,018,673	1,159,407

Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

Total assets	6,412,324	6,494,789	6,431,699	6,192,770	6,181,828	6,942,112	6,178,740
Loss and loss adjustment expenses	2,328,167	2,388,826	2,328,742	2,520,979	2,578,590	2,379,701	2,228,947
Unearned premiums	577,643	568,508	523,927	573,906	614,067	699,409	793,640
Senior notes	299,007	298,896	298,923				
Total stockholders equity	\$ 2,847,655	\$ 2,813,579	\$ 2,908,868	\$ 2,717,521	\$ 2,646,689	\$ 2,784,327	\$ 2,445,964

- (1) All share and per share data have been adjusted to reflect subsequent stock dividends.
- (2) Loss and loss adjustment expenses divided by net premiums earned, all as determined in accordance with GAAP.
- (3) Commissions, brokerage and other underwriting expenses divided by net premiums earned, all as determined in accordance with GAAP.
- (4) The sum of the loss ratio and expense ratio, all as determined in accordance with GAAP, representing the percentage of each premium dollar an insurance company has to spend on loss and loss adjustment expenses, and commissions, brokerage and other underwriting expenses.

**Table of Contents****Summary Consolidated Historical Financial Data of Transatlantic**

The following table sets forth selected historical consolidated financial data of Transatlantic. This data is derived from Transatlantic's Consolidated Financial Statements as of and for the five years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively, and the unaudited quarterly financial statements as of and for the nine months ended September 30, 2011 and 2010, which in the opinion of management include all adjustments necessary for a fair statement of the results for the unaudited interim periods. This selected financial data should be read in conjunction with Transatlantic's Consolidated Financial Statements and related notes included elsewhere in Transatlantic's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and Transatlantic's quarterly report on Form 10-Q for the quarter ended September 30, 2011, each of which is incorporated by reference in this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

	Nine Months Ended September 30,		Years Ended December 31, (in thousands, except per share amounts and ratios)				
	2011	2010	2010	2009	2008	2007	2006
Net premiums written	\$ 2,996,144	\$ 2,980,918	\$ 3,881,693	\$ 3,986,101	\$ 4,108,092	\$ 3,952,899	\$ 3,633,440
Net premiums earned	\$ 2,857,515	\$ 2,924,638	\$ 3,858,620	\$ 4,039,082	\$ 4,067,389	\$ 3,902,669	\$ 3,604,094
Net losses and loss adjustment expenses incurred	(2,460,499)	(2,070,923)	(2,681,774)	(2,679,171)	(2,907,227)	(2,638,033)	(2,462,666)
Net commissions	(715,397)	(709,879)	(932,820)	(927,918)	(980,626)	(980,121)	(903,666)
Increase (decrease) in deferred policy acquisition costs	41,443	10,364	2,898	(12,406)	6,956	16,901	13,471
Other underwriting expenses	(122,878)	(133,015)	(177,624)	(158,181)	(131,555)	(115,760)	(102,339)
Underwriting (loss) profit(1)	(399,816)	21,185	69,300	261,406	54,937	185,656	148,894
Net investment income	344,296	352,224	473,547	467,402	440,451	469,772	434,540
Realized net capital gains (losses)(2)	67,871	16,955	30,101	(70,641)	(435,541)	9,389	10,862
(Loss) gain on early extinguishment of debt	(1,179)	(115)	(115)	9,869	10,250		
Interest on senior notes	(50,386)	(51,192)	(68,272)	(43,454)	(43,359)	(43,421)	(43,405)
Other expenses, net	(83,396)	(25,348)	(31,773)	(28,549)	(23,515)	(25,644)	(10,983)
(Loss) income before income taxes	(122,610)	313,709	472,788	596,033	3,223	595,752	539,908
Income (taxes) benefits	80,874	(53,268)	(70,587)	(118,371)	99,031	(108,611)	(111,756)
Net (loss) income	\$ (41,736)	\$ 260,441	\$ 402,201	\$ 477,662	\$ 102,254	\$ 487,141	\$ 428,152

**Per Common Share:**

## Net (loss) income:

Basic	\$ (0.67)	\$ 4.04	\$ 6.28	\$ 7.20	\$ 1.54	\$ 7.37	\$ 6.49
Diluted	(0.67)	3.99	6.19	7.15	1.53	7.31	6.46
Cash dividends declared	0.65	0.62	0.83	0.79	0.73	0.62	0.53

**Share Data:**Weighted average  
common shares  
outstanding:

Basic	62,447	64,520	64,092	66,381	66,270	66,124	65,955
Diluted	62,447	65,284	64,930	66,802	66,722	66,654	66,266



Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

<b>Ratios:(3)</b>							
Loss ratio	86.1%	70.8%	69.5%	66.3%	71.5%	67.6%	68.3%
Commission ratio	23.6	23.9	24.1	23.3	23.9	24.7	24.7
Other underwriting expense ratio	4.3	4.6	4.6	3.9	3.2	2.9	2.9
Underwriting expense ratio	27.9	28.5	28.7	27.2	27.1	27.6	27.6
Combined ratio	114.0%	99.3%	98.2%	93.5%	98.6%	95.2%	95.9%

**Table of Contents**

	As of September 30,		As of December 31,				
	2011	2010	2010	2009	2008	2007	2006
	(\$ in thousands, except per share amounts)						
Total investments	\$ 13,517,462	\$ 13,128,869	\$ 12,972,739	\$ 12,315,395	\$ 10,229,557	\$ 12,500,540	\$ 11,130,832
Cash and cash equivalents	384,574	223,818	284,491	195,723	288,920	255,432	205,264
Total assets	16,594,820	15,884,026	15,705,354	14,943,659	13,376,938	15,484,327	14,268,464
Unpaid losses and loss adjustment expenses	9,729,925	8,959,011	9,020,610	8,609,105	8,124,482	7,926,261	7,467,949
Unearned premiums	1,396,541	1,247,223	1,212,535	1,187,526	1,220,133	1,226,647	1,144,022
Senior notes	1,005,890	1,030,409	1,030,511	1,033,087	722,243	746,930	746,633
Total stockholders equity	4,294,893	4,360,854	4,284,459	4,034,380	3,198,220	3,349,042	2,958,270
Book value per common share(4)	\$ 69.67	\$ 68.96	\$ 68.83	\$ 60.77	\$ 48.19	\$ 50.56	\$ 44.80

- (1) Includes pre-tax net catastrophe (costs) of (\$683) million in the first nine months of 2011, (\$180) million in the first nine months of 2010, (\$202) million in the full year 2010, \$6 million in the full year 2009, (\$170) million in the full year 2008, (\$55) million in the full year 2007 and (\$29) million in the full year 2006.
- (2) Includes other-than-temporary impairment write-downs charged to earnings of (\$3) million in the first nine months of 2011, (\$7) million in the first nine months of 2010, (\$8) million in the full year 2010, (\$83) million in the full year 2009, (\$318) million in the full year 2008, (\$27) million in the full year 2007 and (\$1) million in the full year 2006.
- (3) The loss ratio represents the absolute value of net losses and loss adjustment expenses incurred expressed as a percentage of net premiums earned. The underwriting expense ratio represents the sum of the commission ratio and the other underwriting expense ratio. The commission ratio represents the absolute value of the sum of net commission and the (decrease) increase in deferred policy acquisition costs expressed as a percentage of net premiums earned. The other underwriting expense ratio represents the absolute value of other underwriting expenses expressed as a percentage of net premiums earned. The combined ratio represents the sum of the loss ratio and the underwriting expense ratio.
- (4) Book value per common share is stockholders equity divided by common shares outstanding.

**Table of Contents**

**Summary Unaudited Pro Forma Condensed Consolidated**

**Financial Information of Alleghany and Transatlantic**

The following tables present unaudited pro forma condensed consolidated financial information about Alleghany's consolidated balance sheet and statements of earnings, after giving effect to the merger with Transatlantic. The information under Pro Forma Condensed Consolidated Statements of Earnings in the table below gives effect to the merger as if it had been consummated on January 1, 2010, the beginning of the earliest period presented. The information under Pro Forma Condensed Consolidated Balance Sheet in the table below assumes the merger had been consummated on September 30, 2011. This unaudited pro forma condensed consolidated financial information was prepared using the acquisition method of accounting, with Alleghany considered the acquirer of Transatlantic for accounting purposes. See Accounting Treatment.

In addition, the unaudited pro forma condensed consolidated financial information includes adjustments which are preliminary and may be revised. There can be no assurance that such revisions will not result in material changes. The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of results that actually would have occurred or that may occur in the future had the merger been completed on the dates indicated, nor is it necessarily indicative of the future operating results or financial position of Alleghany after the merger.

The information presented below should be read in conjunction with the historical consolidated financial statements of Alleghany and Transatlantic including the related notes, filed by each of them with the SEC, and with the pro forma condensed consolidated financial information of Alleghany and Transatlantic, including the related notes, appearing elsewhere in this document. See Where You Can Find More Information and Unaudited Pro Forma Condensed Consolidated Financial Information.

**Table of Contents****Pro Forma Condensed Consolidated Balance Sheet**

As of September 30, 2011

(dollars in thousands)

(Unaudited)

	<b>Pro Forma</b> (as of September 30, 2011)
<b>Assets</b>	
Available for sale securities at fair value:	
Equity securities	\$ 1,240,905
Debt securities	15,406,640
Short-term investments	264,679
	16,912,224
Other invested assets	452,625
Total investments	17,364,849
Cash	153,309
Premium balances receivable	881,454
Reinsurance recoverables	1,655,781
Ceded unearned premium reserves	256,738
Deferred acquisition costs	72,351
Property and equipment at cost, net of amortization	24,922
Goodwill	48,095
Intangible assets, net of amortization	462,883
Current taxes receivable	158,628
Deferred tax assets	491,230
Other assets	260,393
Total assets	\$ 21,830,633
<b>Liabilities and Common Stockholders Equity</b>	
Losses and loss adjustment expenses	\$ 12,002,338
Unearned premiums	1,966,430
Reinsurance payable	106,803
Senior Notes	1,401,785
Other liabilities	494,982
Total liabilities	15,972,338
Common stock	17,439
Contributed capital	3,285,094
Accumulated other comprehensive income	71,757
Treasury stock, at cost	(123,404)
Retained earnings	2,607,409
Total stockholders equity	5,858,295
	\$ 21,830,633



**Table of Contents****Pro Forma Condensed Consolidated Statements of Earnings****For the Nine Months Ended September 30, 2011 and Year Ended December 31, 2010**

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010 (Unaudited)
	(in thousands, except shares outstanding and per share data)	
<b>Revenues:</b>		
Net premiums earned	\$ 3,412,582	\$ 4,626,754
Net investment income	411,984	574,514
Net realized capital gains	134,899	135,447
Other than temporary impairment	(5,896)	(20,328)
Loss on extinguishment of debt	(1,179)	(115)
Other income	1,454	7,188
<b>Total revenues</b>	<b>3,953,844</b>	<b>5,323,460</b>
<b>Costs and Expenses:</b>		
Loss and loss adjustment expenses	2,775,917	3,059,711
Commissions, brokerage & other underwriting expenses	995,731	1,366,881
Salaries, administrative & other operating expenses	102,213	113,360
Corporate administration	14,030	28,854
Interest expense	53,651	60,622
<b>Total costs and expenses</b>	<b>3,941,542</b>	<b>4,629,428</b>
Earnings before income taxes	12,302	694,032
Income taxes (benefits)	(48,066)	133,418
<b>Net earnings</b>	<b>\$ 60,368</b>	<b>\$ 560,614</b>
<b>Net earnings per common share: *</b>		
Basic	\$ 3.51	\$ 32.22
Diluted	3.51	32.18
<b>Weighted average common shares outstanding: *</b>		
Basic	17,202,000	17,402,060
Diluted	17,212,000	17,419,400

\* Amounts reflect subsequent stock dividends (applicable to Alleghany)

**Table of Contents****Unaudited Comparative Per Share Data**

Presented below are Alleghany's and Transatlantic's historical per share data as of or for the nine months ended September 30, 2011 and the year ended December 31, 2010 and unaudited pro forma per share data as of or for the nine months ended September 30, 2011 and the year ended December 31, 2010. This information should be read together with the consolidated financial statements and related notes of Alleghany and Transatlantic that are incorporated by reference in this document and with the unaudited pro forma financial data included under Unaudited Pro Forma Condensed Consolidated Financial Information. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of Alleghany after the merger.

The historical book value per share is computed by dividing total stockholders' equity by the number of shares of common stock outstanding at the end of the period. The pro forma income (loss) per share of Alleghany after the merger is computed by dividing the pro forma income (loss) by the pro forma weighted average number of shares outstanding. The pro forma book value per share of Alleghany after the merger is computed by dividing total pro forma stockholders' equity (deficit) by the pro forma number of shares of common stock outstanding at the end of the period.

The information listed as equivalent pro forma per share for Transatlantic was obtained by multiplying the pro forma per share amounts listed by Alleghany by 0.1948, which is the fraction of a share of Alleghany common stock that Transatlantic stockholders who only receive stock in the merger would receive for each share of Transatlantic common stock, assuming no proration and assuming the average of the closing prices of Alleghany common stock on the NYSE for the five trading days immediately preceding the date on which the merger is consummated was \$285.38, which was the average closing price of Alleghany common stock for the five days ending on January 4, 2012, the most recent practicable date before filing of this joint proxy statement/prospectus. The actual fraction of a share of Alleghany common stock that Transatlantic stockholders who receive stock in the merger will receive may differ depending on the average of the closing stock prices for Alleghany common stock during the five trading days immediately preceding the effective time of the merger.

	Alleghany				Transatlantic			
	Historical		Pro Forma	Pro Forma	Historical		Pro	Pro Forma
	Nine	Year Ended	Nine	Year	Nine	Year Ended	Forma	Forma
	Months	December 31,	Months	Ended	Months	December 31,	Equivalent	Equivalent
Ended	2010	Ended	2010	Ended	2010	Nine	Year	
September 30,	2011	September 30,	2011	September 30,	2011	Months	Ended	
2011	2010	2011	2010	2011	2010	September 30,	December 31,	
2011	2010	2011	2010	2011	2010	2011	2010	
Basic earnings per share	\$ 11.89	\$ 21.85	\$ 3.51	\$ 32.22	(\$ 0.67)	\$ 6.28	\$ 0.68	\$ 6.28
Diluted earnings per share	\$ 11.76	\$ 21.85	\$ 3.51	\$ 32.18	(\$ 0.67)	\$ 6.19	\$ 0.68	\$ 6.27
Cash dividends declared per common share	\$	\$	(1)	(1)	\$ 0.65	\$ 0.83	(1)	(1)
Book value per common share at period end	\$ 327.34	\$ 325.31	\$ 344.20	(2)	\$ 69.67	\$ 68.83	\$ 67.05	(2)

- (1) For the purpose of this pro forma, no dividends are assumed to be paid. The holders of Alleghany common stock will receive cash dividends if and when declared by the Alleghany board of directors out of legally available funds.
- (2) Not Applicable.

**Table of Contents****RISK FACTORS**

*In addition to the other information included and incorporated by reference in this joint proxy statement/prospectus, including the matters addressed in the section entitled **Special Note Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for the adoption of the merger agreement, the Transatlantic adjournment proposal and the golden parachute proposal, in the case of Transatlantic stockholders, or for the stock issuance proposal and the Alleghany adjournment proposal, in the case of Alleghany stockholders. In addition, you should read and consider the risks associated with each of the businesses of Alleghany and Transatlantic because these risks will also affect Alleghany after the merger. These risks can be found in the Annual Reports on Form 10-K for the fiscal year ended December 31, 2010, and any amendments thereto, for each of Alleghany and Transatlantic, as such risks may be updated or supplemented in each company's subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, which are incorporated by reference into this joint proxy statement/prospectus. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference in this joint proxy statement/prospectus. See the section entitled **Where You Can Find More Information**.*

**Risk Factors Relating to the Merger**

***Because the market price of Alleghany common stock will fluctuate, Transatlantic stockholders cannot be sure of the value of the merger consideration they will receive.***

Upon completion of the merger, each share of Transatlantic common stock will be converted into the right to receive merger consideration consisting of shares of Alleghany common stock or cash pursuant to the terms of the merger agreement. The value of the merger consideration to be received by Transatlantic stockholders will be based on the average five-day Alleghany closing price. This average price may vary from the closing price of Alleghany common stock on the date we announced the merger, on the date that this document was mailed to Alleghany stockholders and Transatlantic stockholders and on the date of the special meetings of the Alleghany and Transatlantic stockholders. Any change in the market price of Alleghany common stock prior to completion of the merger will affect the value of the merger consideration that Transatlantic stockholders will receive upon completion of the merger. Accordingly, at the time of the Transatlantic special meeting and prior to the election deadline, Transatlantic stockholders will not necessarily know or be able to calculate the amount of the cash consideration they would receive or the exchange ratio used to determine the number of any shares of Alleghany common stock they would receive upon completion of the merger. Neither company is permitted to terminate the merger agreement or resolicit the vote of either company's stockholders solely because of changes in the market prices of either company's stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. **You should obtain current market quotations for shares of Alleghany common stock and for shares of Transatlantic common stock.**

***Transatlantic stockholders may receive a form of consideration different from what they elect.***

The aggregate amount of cash to be paid to Transatlantic stockholders is fixed at \$816,007,519. As a result, if the cash elections are oversubscribed or undersubscribed, then certain adjustments will be made to the merger consideration to be paid to Transatlantic stockholders to proportionately reduce the cash or stock amounts received by such holders, in the manner described below in the section entitled **The Merger Agreement Consideration to be Received in the Merger**. To the extent that the number of outstanding shares of Transatlantic common stock increases between the date of the merger agreement and the effective time of the merger, due to the vesting of stock-settled awards or as otherwise permitted by the merger agreement, the aggregate number of shares of Alleghany common stock to be issued as consideration in the merger will be increased accordingly, but the aggregate amount of cash to be paid as consideration will not change. Thus, you might receive a portion of your consideration in the form you did not elect and that may have different tax



---

**Table of Contents**

consequences from the form of consideration you elected. In addition, if the aggregate consideration to be paid to any holder of Transatlantic common stock would result in such holder receiving a fractional share of Alleghany common stock, cash shall be paid in lieu of such fractional share.

***If you are a Transatlantic stockholder and you tender your shares of Transatlantic common stock to make an election, you will not be able to sell those shares, unless you revoke your election prior to the election deadline.***

If you are a registered Transatlantic stockholder and want to make a valid cash or stock election, you will have to deliver your stock certificates (or follow the procedures for guaranteed delivery) and a properly completed and signed form of election to the exchange agent. Since the actual election deadline is not currently known, Alleghany and Transatlantic will issue a press release announcing the date of the election deadline at least five business days before that deadline. For further details on the determination of the election deadline, see *The Merger Agreement* Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration Election Form. The election deadline may be significantly in advance of the closing of the merger. You will not be able to sell any shares of Transatlantic common stock that you have delivered as part of your election unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in Transatlantic common stock for any reason until you receive cash and/or common stock in the merger. In the time between the election deadline and the closing of the merger, the trading price of Transatlantic or Alleghany common stock may decrease, and you might otherwise want to sell your shares of Transatlantic common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

***The merger is subject to a number of conditions, including certain governmental and regulatory conditions that may not be satisfied, or may not be completed on a timely basis, or at all. Failure to complete the transactions could have material and adverse effects on Alleghany and Transatlantic.***

Completion of the merger is conditioned upon, among other matters, the receipt of certain governmental authorizations, consents, orders or other approvals, including the approval of the New York DFS and such other consents and approvals, the failure of which to be received or made would reasonably be expected to be materially adverse to Alleghany and its subsidiaries, taken as a whole, or Transatlantic and its subsidiaries, taken as a whole (after giving effect to the merger). In deciding whether to grant antitrust, insurance or other regulatory clearances, the relevant governmental entities will consider the effect of the merger within their relevant jurisdictions. The governmental agencies from which Alleghany and Transatlantic will seek the approvals have broad discretion in administering the governing regulations. The terms and conditions of the approvals that are granted may impose requirements, limitations or costs or place restrictions on the conduct of Alleghany's business after the merger. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the merger or imposing additional material costs on, or materially limiting the revenues of, Alleghany following the merger. In addition, neither Alleghany nor Transatlantic can provide assurances that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. For a more detailed description of the regulatory review process, see the section entitled *The Merger* Regulatory Clearances Required for the Merger.

If the merger is not completed on a timely basis, or at all, Alleghany's and Transatlantic's respective ongoing businesses may be adversely affected. Additionally, in the event the merger is not completed, Alleghany and Transatlantic will be subject to a number of risks without realizing any of the benefits of having completed the merger, including (i) the payment of certain fees and costs relating to the merger, such as legal, accounting,

---

**Table of Contents**

financial advisor and printing fees, (ii) the potential decline in the market price of Alleghany's and Transatlantic's shares of common stock, (iii) the risk that the parties may not find a party willing to enter into a merger agreement on terms equivalent to or more attractive than the terms set forth in the merger agreement and (iv) the loss of time and resources.

***Uncertainties associated with the merger may cause a loss of management personnel and other key employees which could adversely affect the future business, operations and financial results of Alleghany following the merger.***

Whether or not the merger is completed, the announcement and pendency of the merger could disrupt the businesses of Alleghany and Transatlantic. Alleghany and Transatlantic are dependent on the experience and industry knowledge of their senior management and other key employees to execute their business plans. Alleghany's success after the merger will depend in part upon the ability of Alleghany and Transatlantic to retain key management personnel and other key employees. Current and prospective employees of Alleghany and Transatlantic may experience uncertainty about their roles within Alleghany following the merger, which may have an adverse effect on the ability of each of Alleghany and Transatlantic to attract or retain key management and other key personnel. Accordingly, no assurance can be given that Alleghany will be able to attract or retain key management personnel and other key employees of Alleghany and Transatlantic to the same extent that such companies have previously been able to attract or retain employees. In addition, Alleghany following the merger might not be able to locate suitable replacements for any such key employees who leave Alleghany or offer employment to potential replacements on reasonable terms.

***Several lawsuits have been filed against Transatlantic and/or Alleghany challenging the merger, and an adverse ruling may prevent the merger from being completed.***

Alleghany and/or Transatlantic, as well as the members of the Transatlantic board of directors, have been named as defendants in several lawsuits brought by purported stockholders of Transatlantic challenging the Transatlantic board of directors' actions in connection with the merger agreement and seeking, among other things, injunctive relief to enjoin the defendants from completing the merger on the agreed-upon terms. See *The Merger Litigation Related to the Merger* for more information about the lawsuits that have been filed related to the merger. Transatlantic, as well as the members of the Transatlantic board of directors, have also been named as defendants in several lawsuits brought by Validus and purported stockholders of Transatlantic challenging the Transatlantic board of directors' actions in connection with the since-terminated Agreement and Plan of Merger, dated as of June 12, 2011, by and among Allied World, GO Sub, LLC and Transatlantic.

One of the conditions to the closing of the merger is that no order, injunction, decree or other legal restraint or prohibition shall be in effect that prevents completion of the merger. Consequently, if a settlement or other resolution is not reached in the lawsuits referenced above and the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting Alleghany and Transatlantic's ability to complete the merger, then such injunctive or other relief may prevent the merger from becoming effective within the expected timeframe or at all.

***The merger agreement contains provisions that could discourage a potential competing acquiror of either Alleghany or Transatlantic.***

The merger agreement contains no shop provisions that, subject to limited exceptions, restrict each of Alleghany's and Transatlantic's ability to solicit, initiate, or knowingly encourage and facilitate competing third-party proposals for the acquisition of its company's shares or assets. Further, even if the Alleghany board of directors or the Transatlantic board of directors, respectively, withdraws or qualifies its recommendation with respect to the merger, Alleghany or Transatlantic, as the case may be, will still be required to submit each of their merger-related proposals to a vote at their stockholder meeting. In addition, the other party generally has an opportunity to offer to modify the terms of the merger in response to any competing acquisition proposals before the board of directors of the company that has received a third-party proposal may withdraw or qualify its

---

**Table of Contents**

recommendation with respect to the merger. In some circumstances, upon termination of the merger agreement, one of the parties will be required to pay a termination fee of \$115 million or \$35 million to the other party, and/or an expense reimbursement up to a maximum of \$35 million. See The Merger Agreement No Solicitation of Alternative Proposals, The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Expenses and Termination Fees; Liability for Breach.

These provisions could discourage a potential third-party acquiror that might have an interest in acquiring all or a significant portion of Alleghany or Transatlantic from considering or proposing that acquisition, at a higher per share cash or market value than the market value proposed to be received or realized in the merger or might result in a potential third-party acquiror proposing to pay a lower price to the stockholders than it might otherwise have proposed to pay because of the added expense of the termination fee and/or expense reimbursement that may become payable in certain circumstances.

*The fairness opinions delivered by UBS, Morgan Stanley, Goldman Sachs and Moelis will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.*

Neither the Alleghany board of directors nor the Transatlantic board of directors has obtained an updated fairness opinion as of the date of this joint proxy statement/prospectus from UBS or Morgan Stanley, Alleghany's financial advisors, or Goldman Sachs or Moelis, Transatlantic's financial advisors.

Changes in the operations and prospects of Alleghany or Transatlantic, general market and economic conditions and other factors that may be beyond their control, and on which the fairness opinions were based, may alter the value of Alleghany or Transatlantic or the prices of shares of Alleghany common stock or Transatlantic common stock by the time the merger is completed. The opinions do not speak as of the time the merger will be completed or as of any date other than the dates of such opinions. Because neither company anticipates asking its financial advisor to update its opinion, these opinions only address the fairness of the merger consideration, from a financial point of view, at the time the merger agreement was executed. The opinions are included as Annexes B, C, D and E to this joint proxy statement/prospectus. For a description of the opinions and a summary of the material financial analyses performed in connection with rendering such opinions, please refer to The Merger Opinions of Alleghany's Financial Advisors Opinion of UBS Securities LLC, The Merger Opinions of Alleghany's Financial Advisors Opinion of Morgan Stanley & Co., The Merger Opinion of Transatlantic's Financial Advisor Goldman, Sachs & Co., and The Merger Opinion of Transatlantic's Financial Advisor Moelis & Company LLC.

*Transatlantic's counterparties may acquire certain rights upon the merger, which could negatively affect Alleghany following the merger.*

Transatlantic is party to numerous contracts, agreements, licenses, permits, authorizations and other arrangements that contain provisions giving counterparties certain rights (including, in some cases, termination rights) in the event of a change in control of Transatlantic or its subsidiaries. The definition of change in control varies from contract to contract, ranging from a narrow to a broad definition, and in some cases, the change in control provisions may be implicated by the merger. If a change in control occurs, a ceding company may be permitted to cancel contracts on a cut-off or run-off basis, and Transatlantic may be required to provide collateral to secure premium and reserve balances or may be required to cancel and commute a contract, subject to an agreement between the parties that may be settled in arbitration. If a contract is cancelled on a cut-off basis, Transatlantic may be required to return unearned premiums, net of commissions. In addition, contracts may provide a ceding company with multiple options, such as collateralization or commutation, that would be triggered by a change in control. Collateral requirements may take the form of trust agreements or be funded by securities held or letters of credit. Upon commutation, the amount to be paid to settle the liability for gross loss reserves would typically consider a discount to the financial statement loss reserve value, reflecting the time value of money resident in the ultimate settlement of such loss reserves. In certain instances, contracts contain dual triggers, such as a change in control and a ratings downgrade, both of which must be satisfied for the contractual right to be exercisable.

## **Table of Contents**

Whether a ceding company would have cancellation rights in connection with the merger depends upon the language of its agreement with Transatlantic. Whether a ceding company exercises any cancellation rights it has would depend on, among other factors, such ceding company's views with respect to the financial strength and business reputation of Alleghany following the merger, the extent to which such ceding company currently has reinsurance coverage with Alleghany's affiliates, the prevailing market conditions, the pricing and availability of replacement reinsurance coverage and Alleghany's ratings following the merger. Transatlantic cannot presently predict the effects, if any, if the merger is deemed to constitute a change in control under certain of its contracts and other arrangements, including the extent to which cancellation rights would be exercised, if at all, or the effect on Alleghany's financial condition, results of operations, or cash flows following the merger, but such effect could be material.

### **Risk Factors Relating to Alleghany Following the Merger**

*Although Alleghany and Transatlantic expect to realize certain benefits as a result of the merger, there is the possibility that Alleghany following the merger may be unable to integrate successfully the businesses of Alleghany and Transatlantic in order to realize the anticipated benefits of the merger or do so within the intended timeframe.*

The merger involves Transatlantic being operated as a wholly owned subsidiary of Alleghany. Alleghany will be required to devote significant management attention and resources to integrating the business practices and operations of Transatlantic with Alleghany. Due to legal restrictions, Alleghany and Transatlantic have been able to conduct limited planning regarding the integration of Transatlantic into Alleghany after completion of the merger and have not yet determined the exact nature of how the businesses and operations of Transatlantic will be run following the merger. Potential difficulties Alleghany may encounter as part of the integration process include the following:

the consequences of a change in tax treatment, including the costs of integration and compliance and the possibility that the full benefits anticipated to result from the merger will not be realized;

any delay in the integration of management teams, strategies, operations, products and services;

diversion of the attention of each company's management as a result of the merger;

differences in business backgrounds, corporate cultures and management philosophies that may delay successful integration;

the ability to retain key employees;

the ability to create and enforce uniform standards, controls, procedures, policies and information systems;

complexities associated with managing Transatlantic as a subsidiary of Alleghany, including the challenge of integrating complex systems, technology, networks and other assets of Transatlantic into those of Alleghany in a seamless manner that minimizes any adverse impact on customers, suppliers, brokers, employees and other constituencies;

potential unknown liabilities and unforeseen increased expenses or delays associated with the merger, including one-time cash costs to integrate Transatlantic beyond current estimates; and

the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies,

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

any of which could adversely affect each company's ability to maintain relationships with customers, suppliers, brokers, employees and other constituencies or Alleghany's and Transatlantic's ability to achieve the anticipated benefits of the merger or could reduce each company's earnings or otherwise adversely affect the business and financial results of Alleghany after the merger.

---

**Table of Contents**

***Current Alleghany stockholders and Transatlantic stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

Current Alleghany stockholders have the right to vote in the election of the Alleghany board of directors and on other matters affecting Alleghany. Current Transatlantic stockholders have the right to vote in the election of the Transatlantic board of directors and on other matters affecting Transatlantic. Immediately after the merger is completed, it is expected that, on a fully diluted basis, current Alleghany stockholders will own approximately 51%, and current Transatlantic stockholders will own approximately 49%, of the outstanding shares of Alleghany common stock. As a result of the merger, current Alleghany stockholders and current Transatlantic stockholders will have less influence on the management and policies of Alleghany post-merger than they now have on the management and policies of Alleghany and Transatlantic, respectively.

***The results of Alleghany after the merger may suffer if Alleghany does not effectively manage its expanded operations following the merger.***

Following the merger, the size of the business of Alleghany will increase significantly beyond the current size of either Alleghany's or Transatlantic's existing business. Alleghany's future success depends, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new global operations and associated increased costs and complexity. There can be no assurances that Alleghany will be successful after completion of the merger or that it will realize the expected benefits currently anticipated from the merger.

***The financial analyses and forecasts considered by Alleghany and Transatlantic and their respective financial advisors may not be realized, which may adversely affect the market price of Alleghany common stock following the merger.***

In performing their financial analyses and rendering their opinions regarding the fairness, from a financial point of view, of the merger consideration set forth in the merger agreement, each of the respective financial advisors to Alleghany and Transatlantic independently reviewed and relied on, among other things, internal standalone and pro forma financial analyses and forecasts as separately provided to each respective financial advisor by Alleghany or Transatlantic. See the sections entitled "The Merger - Certain Alleghany Prospective Financial Information" and "The Merger - Certain Transatlantic Prospective Financial Information." The financial advisors assumed, at the direction of the board of directors of Transatlantic (in the case of Goldman Sachs and Moelis) and of Alleghany (in the case of UBS and Morgan Stanley), that such financial information was reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Transatlantic and Alleghany as to the future performance of their respective companies and that such future financial results will be achieved at the times and in the amounts projected by management of Transatlantic and Alleghany. These analyses and forecasts were prepared by, or as directed by, the managements of Alleghany and Transatlantic and were also considered by the Alleghany board of directors and the Transatlantic board of directors. None of these analyses or forecasts was prepared with a view towards public disclosure or compliance with the published guidelines of the SEC, GAAP, SAP, international financial reporting standards (which we refer to as "IFRS") or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts. These projections are inherently based on various estimates and assumptions that are subject to the judgment of those preparing them. These projections are also subject to significant economic, competitive, industry and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of Alleghany and Transatlantic. Accordingly, there can be no assurance that Alleghany's or Transatlantic's financial condition or results of operations will be consistent with those set forth in such analyses and forecasts. Significantly worse financial results could have a material adverse effect on the market price of Alleghany common stock following the merger.

---

**Table of Contents**

*Alleghany is expected to incur substantial expenses related to the merger.*

Alleghany is expected to incur substantial expenses in connection with the merger. While Alleghany and Transatlantic have assumed that a certain level of expenses would be incurred, there are many factors beyond the control of either Alleghany or Transatlantic that could affect the total amount or the timing of the expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately.

*There can be no assurance that the merger will not result in a ratings downgrade of Alleghany's or Transatlantic's insurance or reinsurance operating companies, which may result in an adverse effect on the business, financial condition and operating results of Alleghany following the merger.*

Ratings with respect to claims paying ability and financial strength are important factors in establishing the competitive position of insurance and reinsurance companies and will also impact the cost and availability of capital to an insurance and reinsurance holding company. The combined operations of Alleghany and Transatlantic will compete with other insurance and reinsurance companies, financial intermediaries and financial institutions on the basis of a number of factors, including the ratings assigned by internationally recognized rating organizations. Ratings will represent an important consideration in maintaining customer confidence in Alleghany following the merger and in its ability to market insurance and reinsurance products. Rating organizations regularly analyze the financial performance and condition of insurers. Any ratings downgrade, or the potential for a ratings downgrade, of Alleghany or Transatlantic following the merger or any of their insurance or reinsurance subsidiaries could adversely affect their ability to market and distribute products and services, which could have an adverse effect on Alleghany's or Transatlantic's, as applicable, business, financial condition and operating results. There is a risk that Alleghany and/or Transatlantic is subject to being downgraded, and there can be no assurance that the ratings of Alleghany's insurance and reinsurance operating companies will not be downgraded, following the merger.

Ratings are not in any way a measure of protection afforded to investors and should not be relied upon in making an investment or voting decision. Although no assurances can be given, we currently expect that the current ratings of Alleghany, Transatlantic and Alleghany's insurance and reinsurance operating companies, as the case may be, will be maintained.

*Some of the executive officers and directors of Alleghany and Transatlantic have interests in seeing the merger completed that are different from, or in addition to, those of the other Alleghany and Transatlantic stockholders. Therefore, some of the executive officers and directors of Alleghany may have a conflict of interest in recommending the proposals being voted on at the Alleghany special meeting and some of the executive officers and directors of Transatlantic may have a conflict of interest in recommending the proposals being voted on at the Transatlantic special meeting.*

Certain of the executive officers of Alleghany and Transatlantic may have arrangements that provide them with interests in the merger that are different from, or in addition to, those of stockholders of Alleghany and Transatlantic generally. These interests include, among others, continued service as an executive officer of Alleghany following the merger, and payments and equity grants, in connection with the merger. These interests may influence the executive officers of Alleghany to support or approve the proposals to be presented at the Alleghany special meeting and/or the executive officers of Transatlantic to support or approve the proposals to be presented at the Transatlantic special meeting.

In addition, certain directors of Transatlantic may have interests in the merger that are different from, or in addition to, those of stockholders of Transatlantic generally, including the accelerated vesting of certain equity awards and service as a director of Alleghany following the merger. These interests may influence the directors of Transatlantic to support or approve the proposals to be presented at the Transatlantic special meeting.

See [The Merger Interests of Alleghany's Directors and Executive Officers in the Merger](#) and [The Merger Interests of Transatlantic's Directors and Executive Officers in the Merger](#) for a more detailed description of these interests.

## **Table of Contents**

*The shares of Alleghany common stock to be received by Transatlantic stockholders as a result of the merger will have different rights from the shares of Transatlantic common stock.*

Upon completion of the merger, Transatlantic stockholders will become stockholders of Alleghany, and their rights as stockholders will be governed by the Alleghany charter and the Alleghany bylaws. The rights associated with Transatlantic common stock are different from the rights associated with shares of Alleghany common stock. See [Comparison of Stockholders' Rights](#).

*The occurrence of severe catastrophic events may cause Alleghany's financial results after completion of the merger to be volatile and may affect the financial results of Alleghany after completion of the merger differently than such an event would have affected the financial results of either Alleghany or Transatlantic on a standalone basis.*

Because Alleghany expects that it will, after completion of the merger, among other things, underwrite property catastrophe insurance and reinsurance and have large aggregate exposures to natural and man-made disasters, management expects that Alleghany's loss experience generally will include infrequent events of great severity. Consequently, the occurrence of losses from catastrophic events is likely to cause substantial volatility in Alleghany's financial results after completion of the merger. In addition, because catastrophes are an inherent risk of Alleghany's business after completion of the merger, a major event or series of events can be expected to occur from time to time and to have a material adverse effect on Alleghany's financial condition and results of operations, possibly to the extent of eliminating Alleghany's stockholders equity. Upon completion of the transactions, Alleghany's exposure to natural and man-made disasters will be different from the exposure of either Alleghany or Transatlantic prior to the completion of the transaction. Accordingly, the transactions may exacerbate the exposure described above.

### **Other Risk Factors of Alleghany and Transatlantic**

Alleghany's and Transatlantic's businesses are and will be subject to the risks described above. In addition, Alleghany and Transatlantic are, and will continue to be, subject to the risks described in Alleghany's and Transatlantic's Annual Reports on Form 10-K for the fiscal year ended December 31, 2010, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#) for the location of information incorporated by reference in this joint proxy statement/prospectus.



---

**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect Alleghany's and Transatlantic's current beliefs, expectations or intentions regarding future events. These statements include forward-looking statements both with respect to Alleghany and Transatlantic and the insurance and reinsurance industry. Statements that are not historical facts, including statements that use terms such as anticipates, believes, expects, intends, plans, projects, and will 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 this joint proxy statement/prospectus should not be considered as a representation by us or any other person that our objectives or plans will be achieved. These forward-looking statements include, without limitation, Alleghany's and Transatlantic's expectations with respect to the benefits, costs and other anticipated financial impacts of the proposed transaction; future financial and operating results of Alleghany following the merger; Alleghany's plans, objectives, expectations and intentions with respect to future operations and services following the merger; approval of the proposed transaction by stockholders and by governmental regulatory authorities; the satisfaction of the closing conditions to the proposed transaction; and the timing of the completion of the proposed transaction.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of Alleghany and Transatlantic and are difficult to predict. These risks and uncertainties also include those set forth under Risk Factors, as well as, among others, risks and uncertainties relating to: (1) any event, change or other circumstance that could give rise to the termination of the merger agreement; (2) the inability to obtain Transatlantic's or Alleghany's stockholder approval or the failure to satisfy other conditions to completion of the merger, including receipt of regulatory approvals; (3) risks that the proposed transaction disrupts each company's current plans and operations; (4) the ability to retain key personnel; (5) the ability to recognize the benefits of the merger; (6) the amount of the costs, fees, expenses and charges related to the merger; (7) pricing and policy term trends; (8) increased competition; (9) the impact of acts of terrorism and acts of war; (10) greater frequency or severity of unpredictable catastrophic events; (11) negative rating agency actions; (12) the adequacy of each party's loss reserves; (13) changes in regulations or tax laws; (14) changes in the availability, cost or quality of reinsurance or retrocessional coverage; (15) adverse general economic conditions; and (16) judicial, legislative, political and other governmental developments, as well as management's response to these factors, and other factors identified in each company's filings with the SEC. Alleghany and Transatlantic caution that the foregoing list of factors is not exclusive.

Additional information concerning these and other risk factors is contained in Alleghany's and Transatlantic's most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other SEC filings. All subsequent written and oral forward-looking statements concerning Alleghany, Transatlantic, the proposed transaction or other matters attributable to Alleghany or Transatlantic or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. You are cautioned not to place undue reliance on these forward-looking statements, which speak only to the date they are made. Alleghany and Transatlantic 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.

---

**Table of Contents**

**THE COMPANIES**

**Alleghany Corporation**

Alleghany is a Delaware corporation engaged in the property and casualty and surety insurance business through its wholly owned subsidiary AIHL. AIHL's insurance business is conducted through its wholly owned subsidiaries RSUI, CATA, and PCC. AIHL Re, a captive reinsurance subsidiary of AIHL, has in the past provided reinsurance to Alleghany operating units and affiliates. Alleghany's equity investments, including those held by AIHL's insurance operating units, are managed primarily by Alleghany Capital Partners LLC, an indirect, wholly owned subsidiary of Alleghany. Alleghany also owns and manages properties in the Sacramento, California region through its subsidiary Alleghany Properties. In addition, Alleghany owns approximately 33 percent of the outstanding shares of common stock of Homesite, a national, full-service, mono-line provider of homeowners insurance, and approximately 38 percent of ORX, a regional oil and gas exploration and production company. Alleghany also makes strategic investments in operating companies and conducts other activities.

Shares of Alleghany common stock are traded on the NYSE under the symbol **Y**. Following the merger, shares of Alleghany common stock will continue to be traded on the NYSE under the symbol **Y**.

The principal executive offices of Alleghany are located at 7 Times Square Tower, New York, NY 10036 and its telephone number is (212) 752-1356. Additional information about Alleghany and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

**Transatlantic Holdings, Inc.**

Transatlantic is a holding company incorporated in the State of Delaware. Transatlantic, through its wholly owned subsidiaries, TRC, TRZ, acquired by TRC in 1996, and Putnam (contributed by Transatlantic to TRC in 1995), offers reinsurance capacity for a full range of property and casualty products, directly and through brokers, to insurance and reinsurance companies, in both the domestic and international markets on both a treaty and facultative basis. One or both of TRC and Putnam is licensed, accredited, authorized or can serve as a reinsurer in 50 states and the District of Columbia in the United States and in Puerto Rico and Guam. Through its international locations, Transatlantic has operations worldwide, including Bermuda, Canada, seven locations in Europe, three locations in Central and South America, two locations in Asia (excluding Japan), and one location in each of Japan, Australia and Africa. TRC is licensed in Bermuda, Canada, Japan, the United Kingdom, the Dominican Republic, the Hong Kong Special Administrative Region, the People's Republic of China and Australia. Transatlantic was originally formed in 1986 under the name PREINCO Holdings, Inc. As a holding company for Putnam, Transatlantic's name was changed to Transatlantic Holdings, Inc. on April 18, 1990 following the acquisition on April 17, 1990 of all of the common stock of TRC in exchange for shares of common stock of Transatlantic.

Transatlantic's common stock is traded on the NYSE under the symbol **TRH**. Upon completion of the merger, shares of Transatlantic common stock currently listed on the NYSE will cease to be listed on the NYSE and will subsequently be deregistered under the Exchange Act.

The principal executive offices of Transatlantic are located at 80 Pine Street, New York, NY 10005 and its telephone number is (212) 365-2200. Additional information about Transatlantic and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

**Table of Contents**

**Shoreline Merger Sub, Inc.**

Shoreline Merger Sub, Inc., or Merger Sub, is a wholly owned subsidiary of Alleghany and a Delaware corporation. Merger Sub was originally formed on November 10, 2011 as a Delaware limited liability company called Shoreline Merger Sub, LLC for the sole purpose of effecting the merger. At the request of Transatlantic, Alleghany has converted Shoreline Merger Sub, LLC into a Delaware corporation which has been assigned the rights and assumed the obligations of Merger Sub under the merger agreement, and as such all references to Merger Sub in the merger agreement and in this joint proxy statement/prospectus shall be deemed to refer to such corporation. In the merger, Transatlantic will be merged with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of Alleghany. Upon completion of the merger, Alleghany intends to operate Transatlantic as an independent standalone subsidiary of Alleghany, which will be renamed Transatlantic Holdings, Inc.

The principal executive offices of Merger Sub are located at 7 Times Square Tower, New York, NY 10036 and its telephone number is (212) 752-1356.

## **Table of Contents**

### **THE ALLEGHANY SPECIAL MEETING**

*This joint proxy statement/prospectus is being provided to the stockholders of Alleghany as part of a solicitation of proxies by the Alleghany board of directors for use at the Alleghany special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus and the documents incorporated herein by reference provide stockholders of Alleghany with the information they need to know to be able to vote or instruct their vote to be cast at the Alleghany special meeting.*

#### **Date, Time and Place**

The Alleghany special meeting will be held at the Harvard Club of New York City, 35 West 44<sup>th</sup> Street, New York, New York, on February 6, 2012, at 10:00 a.m.

#### **Purpose of the Alleghany Special Meeting**

At the Alleghany special meeting, Alleghany stockholders will be asked to consider and vote on:

the stock issuance proposal; and

the Alleghany adjournment proposal.

Completion of the merger is conditioned on, among other things, approval of the stock issuance proposal.

#### **Recommendation of the Board of Directors of Alleghany**

The Alleghany board of directors has approved the merger agreement and has determined that the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, are advisable and in the best interests of Alleghany and its stockholders.

**The Alleghany board of directors recommends that the Alleghany stockholders vote FOR the stock issuance proposal and FOR the Alleghany adjournment proposal.**

#### **Alleghany Record Date; Stockholders Entitled to Vote**

Only holders of record of Alleghany common stock at the close of business on January 4, 2012, the Alleghany record date, are entitled to notice of, and to vote at, the Alleghany special meeting or any adjournments or postponements thereof. At the close of business on the Alleghany record date, 8,551,646 shares of Alleghany common stock were issued and outstanding, approximately 7.5% of which were held by Alleghany's directors and executive officers and their affiliates. A list of stockholders of Alleghany will be available for review for any purpose germane to the Alleghany special meeting at Alleghany's headquarters, at 7 Times Square Tower, New York, NY 10036 during regular business hours for a period of 10 days before the Alleghany special meeting. The list will also be available at the Alleghany special meeting during the whole time thereof for examination by any stockholder of record present at the Alleghany special meeting.

#### **Voting by Alleghany's Directors and Executive Officers**

At the close of business on the Alleghany record date, directors and executive officers of Alleghany and their affiliates were entitled to vote 643,386 shares of Alleghany common stock, or approximately 7.5% of the shares of Alleghany common stock outstanding on that date. We currently expect that Alleghany's directors and executive officers will vote their shares in favor of each of the proposals to be considered and voted upon at the Alleghany special meeting, although, except as described below, no director or executive officer has entered into any agreement obligating him or her to do so. Certain members of the Kirby family (including Jefferson W. Kirby, the Chairman of the Alleghany board of directors, in his capacity as an Alleghany stockholder) with longstanding ownership interests in Alleghany common stock have entered into voting agreements with Transatlantic. The voting



## **Table of Contents**

agreements provide, among other things, that these Alleghany stockholders have irrevocably agreed, on the terms and subject to the conditions specified in the voting agreements, to vote all shares of Alleghany common stock owned by such stockholders in favor of the stock issuance, against competing proposals and against any action or agreement that would be expected to materially impair the ability of Alleghany or Merger Sub to complete the merger. A form of voting agreement entered into by these Alleghany stockholders is included as Annex F hereto. As of November 18, 2011, the last trading day before announcement of the merger, these stockholders held an aggregate of approximately 1,594,958 shares of Alleghany common stock (representing approximately 18.65% of the outstanding shares of Alleghany common stock as of November 18, 2011 and as of the Alleghany record date).

### **Quorum**

In order to transact business at the Alleghany special meeting, a quorum is required. Stockholders who hold a majority of the Alleghany common stock outstanding on the record date and who are entitled to vote must be present in person or represented by proxy to constitute a quorum at the Alleghany special meeting. The Alleghany stockholders, by a majority vote at the meeting by the holders of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice unless the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

Failures to vote will not be included in the calculation of the number of shares of Alleghany common stock represented at the Alleghany special meeting for purposes of determining whether a quorum has been achieved. Abstentions will be included in the calculation of the number of shares of Alleghany common stock represented at the Alleghany special meeting for purposes of determining whether a quorum has been achieved. Under NYSE rules, if brokers do not have discretion to vote on any of the proposals at a stockholders' meeting, broker non-votes will not count toward the calculation of a quorum. As each of the proposals to be voted on at the special meeting are considered non-routine under NYSE rules, brokers do not have discretion to vote on such proposals and, as such, broker non-votes will not be included in the calculation of the number of shares represented at the Alleghany special meeting for purposes of determining whether a quorum has been achieved.

### **Required Vote**

The approval of the stock issuance requires the affirmative vote of holders of a majority of the shares of Alleghany common stock, present in person or represented by proxy, at the Alleghany special meeting and entitled to vote on the proposal, assuming a quorum is present. Approval of the Alleghany adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Approval of the Alleghany adjournment proposal is not a condition to completion of the merger.

If you are an Alleghany stockholder and you fail to vote, it will have no effect on the stock issuance proposal, assuming a quorum is present, or Alleghany adjournment proposal. If you abstain from voting, your shares will be counted as represented at the meeting, and it will have the same effect as a vote AGAINST the stock issuance proposal and AGAINST the Alleghany adjournment proposal.

If you are an Alleghany stockholder and you do not instruct your broker, bank or nominee on how to vote your shares, your broker may not vote your shares at the Alleghany special meeting. This will have no effect on the stock issuance proposal, assuming a quorum is present, or on the Alleghany adjournment proposal.

### **Failures to Vote, Broker Non-Votes and Abstentions**

Under the rules of the NYSE, banks, brokerage firms or other nominees holding shares of record may vote those shares in their discretion on certain routine proposals when they do not receive timely voting instructions

---

## **Table of Contents**

from the beneficial holders. A broker non-vote occurs under these NYSE rules when a bank, brokerage firm or other nominee holding shares of record is not permitted to vote on a non-routine matter without instructions from the beneficial owner of the shares and no instruction is given.

In accordance with these NYSE rules, banks, brokers and other nominees who hold shares of Alleghany common stock in street name for their customers, but do not have discretionary authority to vote the shares, may not exercise their voting discretion with respect to the approval of the stock issuance proposal or the Alleghany adjournment proposal. Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the stock issuance proposal or the Alleghany adjournment proposal. For shares of Alleghany common stock held in street name, only shares of Transatlantic common stock affirmatively voted FOR the stock issuance proposal and the Alleghany adjournment proposal will be counted as affirmative votes therefor.

Abstentions will have the same effect as a vote AGAINST the stock issuance and AGAINST the Alleghany adjournment proposal. Failures to vote and broker non-votes, if any, will have no effect on the approval of the stock issuance proposal, assuming a quorum is present, or on the Alleghany adjournment proposal.

### **Voting at the Alleghany Special Meeting**

**Whether or not you plan to attend the Alleghany special meeting, please submit a proxy for your shares.** If you are a registered or record holder, you may vote in person at the Alleghany special meeting or by proxy. If your shares are held in street name, which means your shares are held of record in an account with a bank, brokerage firm or other nominee, you must follow the instructions from your bank, brokerage firm or other nominee in order to vote.

### **Voting in Person**

If you plan to attend the Alleghany special meeting and wish to vote in person, you will be given a ballot at the Alleghany special meeting. Please note, however, that if your shares are held in street name, and you wish to vote at the Alleghany special meeting, you must bring to the Alleghany special meeting a proxy executed in your favor from the record holder (your bank, brokerage firm or other nominee) of the shares authorizing you to vote at the Alleghany special meeting.

In addition, if you are a registered or record Alleghany stockholder, please be prepared to provide proper identification, such as a driver's license, in order to be admitted to the Alleghany special meeting. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your bank, brokerage firm or other nominee, along with proper identification.

### **Voting by Proxy**

If you are a holder of record, a proxy card is enclosed for your use. Alleghany requests that you submit a proxy by:

logging onto [www.envisionreports.com/YAL](http://www.envisionreports.com/YAL) and following the instructions on your proxy card to submit a proxy via the internet anytime up to 12:00 a.m., New York City time, on February 6, 2012 and following the instructions provided on that site;

dialing 1-800-652-VOTE (8683) and listening for further directions to submit a proxy by telephone anytime up to 12:00 a.m., New York City time, on February 6, 2012 and following the instructions provided in the recorded message; or

signing and returning the accompanying proxy card in the enclosed postage-paid envelope. Alleghany stockholders of record may submit their proxies through the mail by completing their proxy card, and signing, dating and returning it in the enclosed, pre-addressed, postage-paid envelope. To be valid, a returned proxy card must be signed and dated.

## **Table of Contents**

**You should submit your proxy in advance of the Alleghany special meeting even if you plan to attend the Alleghany special meeting. You can always change your vote at the Alleghany special meeting.**

If you hold your shares of Alleghany common stock in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank, brokerage firm or other nominee. Please note that you may not vote shares of Alleghany common stock held in street name by returning a proxy card directly to Alleghany or by voting in person at the Alleghany special meeting unless you have a legal proxy, which you must obtain from your bank, brokerage firm or other nominee. Further, brokers who hold shares of Alleghany common stock on behalf of their customers may not give a proxy to Alleghany to vote those shares without specific instructions from their customers.

If you are an Alleghany stockholder and you do not instruct your bank, brokerage firm or other nominee on how to vote your shares your bank, brokerage firm broker or other nominee, as applicable, may not vote your shares on any of the proposals to be considered and voted upon at the Alleghany special meeting as all such matters are deemed non-routine matters pursuant to applicable NYSE rules.

If a proxy is returned without an indication as to how the shares of Alleghany common stock represented are to be voted with regard to a particular proposal, the shares of Alleghany common stock represented by the proxy will be voted in accordance with the recommendation of the Alleghany board of directors and, therefore, FOR the stock issuance proposal and FOR the Alleghany adjournment proposal. As of the date hereof, management has no knowledge of any business that will be presented for consideration at the Alleghany special meeting and which would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in Alleghany's notice of special meeting. If any other matter is properly presented at the Alleghany special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Accordingly, please sign, date and return the enclosed proxy card whether or not you plan to attend the Alleghany special meeting in person.**

## **How Proxies Are Counted**

All shares of Alleghany common stock represented by properly executed proxies received in time for the Alleghany special meeting will be voted at the meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the stock issuance proposal and FOR the Alleghany adjournment proposal.

Only shares of Alleghany common stock affirmatively voted for the applicable proposal, and properly executed proxies that do not contain voting instructions, will be counted as favorable votes for approval of the stock issuance and the Alleghany adjournment proposal. Abstentions will have the same effect as a vote AGAINST the stock issuance proposal and AGAINST the Alleghany adjournment proposal. Failures to vote and broker non-votes, if any, will have no effect on the approval of the stock issuance proposal, assuming a quorum is present, or the Alleghany adjournment proposal.

## **Revocation of Proxies**

If you are the record holder of shares of Alleghany common stock, you can change or revoke your proxy at any time before your proxy is voted at the Alleghany special meeting. You can do this by:

timely delivering a new, valid proxy bearing a later date by submitting instructions via the internet, by telephone or by mail as described on the proxy card;

timely delivering a signed written notice of revocation to the Secretary of Alleghany; or



## **Table of Contents**

attending the Alleghany special meeting and voting in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person. Simply attending the Alleghany special meeting without voting will not change or revoke any proxy that you have previously given.

A registered Alleghany stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the Alleghany stockholder's previous proxy. If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to the secretary of Alleghany no later than the beginning of the Alleghany special meeting. If you have submitted a proxy for your shares by telephone or via the internet, you may revoke your prior telephone or internet proxy by any manner described above.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Alleghany Corporation

7 Times Square Tower

New York, NY 10036

Attention: Secretary

If your shares are held in street name by your broker, bank or nominee, you should contact your broker, bank or nominee to change your vote.

## **Solicitation of Proxies**

Alleghany is soliciting proxies for the Alleghany special meeting. In accordance with the merger agreement, Alleghany and Transatlantic will share equally all fees and expenses in relation to the printing, filing and distribution of this joint proxy statement/prospectus. Alleghany will pay all of its other costs of soliciting proxies. In addition to solicitation by use of mails, proxies may be solicited by Alleghany directors, officers and employees in person or by telephone or other means of communication. These individuals will not be additionally compensated, but may be reimbursed for out-of-pocket expenses associated with this solicitation.

Alleghany has engaged D.F. King & Co., Inc. to assist in the solicitation of proxies for the Alleghany special meeting. Alleghany estimates that it will pay D.F. King & Co., Inc. a fee of approximately \$16,000. Alleghany will also reimburse D.F. King & Co., Inc. for reasonable out-of-pocket expenses and will indemnify D.F. King & Co., Inc. and its affiliates against certain claims, liabilities, losses, damages and expenses. Alleghany will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of shares held of record by them. Alleghany will also reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

## **Adjournments or Postponements**

Any adjournment of the Alleghany special meeting may be made from time to time by the Alleghany stockholders, by the affirmative vote of the holders of a majority of the shares of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present, without further notice other than by an announcement made at the Alleghany special meeting. If a quorum is not present at the Alleghany special meeting, or if a quorum is present at the Alleghany special meeting but there are not sufficient votes at the time of the Alleghany special meeting to approve the stock issuance, then Alleghany stockholders may be asked to vote to adjourn the Alleghany special meeting so as to permit the further solicitation of proxies.

Alleghany may postpone or adjourn the Alleghany special meeting to a date that is no later than 30 days after the date on which the original Alleghany special meeting was scheduled to be held (i) with the consent of Transatlantic, (ii) in order for a quorum to be present, (iii) to allow reasonable additional time for the filing and mailing of any supplemental disclosure which must be disseminated under applicable law, (iv) to allow reasonable additional time to solicit additional proxies, (v) if required by applicable law, or (vi) if Alleghany intends to make an adverse recommendation change.

**Table of Contents**

**ALLEGHANY PROPOSALS**

**Alleghany Proposal 1: Approval of the Stock Issuance**

The Alleghany board of directors proposes the Alleghany stockholders approve the issuance of the shares of Alleghany common stock to Transatlantic stockholders in connection with the merger and as contemplated by the merger agreement as required by NYSE rules, also referred to herein as the stock issuance proposal. The merger agreement provides that as a condition to the closing of the merger that the shares of Alleghany common stock to be issued to Transatlantic stockholders are authorized for listing on the NYSE, subject to official notice of issuance. NYSE listing policies require prior stockholder approval of issuances of common stock which would constitute more than 20% of the outstanding shares of common stock on a post-transaction basis. Former Transatlantic stockholders are expected to hold approximately 49% of the outstanding shares of Alleghany common stock, on a fully diluted basis, after giving effect to the merger. In addition, in the event that the Alleghany stockholders approve the stock issuance proposal, but Transatlantic stockholders do not approve the proposal to adopt the merger agreement, the stock issuance will not occur and the merger will not be consummated.

**Required Vote**

The approval of the stock issuance proposal requires the affirmative vote of the holders of a majority of shares entitled to vote on the proposal and present in person or represented by proxy at the Alleghany special meeting, assuming a quorum is present. For purposes of this vote, an abstention will have the same effect as a vote **AGAINST** the proposal, and a failure to vote or broker non-vote will have no effect on the proposal.

**The Alleghany board of directors recommends a vote **FOR** approval of the stock issuance proposal.**

## **Table of Contents**

### **Alleghany Proposal 2: Adjournment of the Alleghany Special Meeting**

Alleghany stockholders are being asked to adjourn the Alleghany special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the stock issuance if there are insufficient votes at the time of such adjournment to approve such proposal.

If, at the Alleghany special meeting, there are an insufficient number of shares of Alleghany common stock present in person or represented by proxy and voting in favor of the stock issuance proposal, Alleghany may move to adjourn the Alleghany special meeting in order to enable the Alleghany board of directors to solicit additional proxies for approval of such proposal.

Alleghany is asking its stockholders to authorize the holder of any proxy solicited by the Alleghany board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the Alleghany special meeting to another time and place for the purpose of soliciting additional proxies. If the Alleghany stockholders approve this proposal, Alleghany could adjourn the Alleghany special meeting and any adjourned session of the Alleghany special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Alleghany stockholders who have previously voted. If the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, a new notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

### **Required Vote**

The approval of the Alleghany adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Alleghany common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. For the purposes of this vote, an abstention will have the same effect as a vote **AGAINST** the proposal, and a failure to vote or broker non-vote will have no effect on the proposal.

**The Alleghany board of directors recommends that Alleghany stockholders vote **FOR** the Alleghany adjournment proposal.**

## **Table of Contents**

### **THE TRANSATLANTIC SPECIAL MEETING**

*This joint proxy statement/prospectus is being provided to the stockholders of Transatlantic as part of a solicitation of proxies by the Transatlantic board of directors for use at the Transatlantic special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus and the documents incorporated herein by reference provide stockholders of Transatlantic with the information they need to know to be able to vote or instruct their vote to be cast at the Transatlantic special meeting.*

#### **Date, Time and Place**

The Transatlantic special meeting will be held at The Down Town Association, 60 Pine Street, New York, New York, on February 6, 2012, at 10:00 a.m.

#### **Purpose of the Transatlantic Special Meeting**

At the Transatlantic special meeting, Transatlantic stockholders will be asked to consider and vote on:

the adoption of the merger agreement;

the Transatlantic adjournment proposal; and

the golden parachute proposal.

Completion of the merger is conditioned on, among other things, adoption of the merger agreement.

#### **Recommendation of the Board of Directors of Transatlantic**

The Transatlantic board of directors has unanimously approved the merger agreement and has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Transatlantic and its stockholders.

**The Transatlantic board of directors recommends that the Transatlantic stockholders vote FOR the adoption of the merger agreement, FOR the Transatlantic adjournment proposal, and FOR the golden parachute proposal.**

#### **Transatlantic Record Date; Stockholders Entitled to Vote**

Only holders of record of Transatlantic common stock at the close of business on January 4, 2012, the Transatlantic record date, are entitled to notice of, and to vote at, the Transatlantic special meeting or any adjournments or postponements thereof.

At the close of business on the Transatlantic record date, 57,388,084 shares of Transatlantic common stock were issued and outstanding and held by 250 holders of record. Holders of record of Transatlantic common stock on the Transatlantic record date are entitled to one vote per share at the Transatlantic special meeting on each proposal. However, to satisfy the requirements of the New York DFS, on June 8, 2009, Davis Advisors entered into an agreement with Transatlantic whereby Davis Advisors agreed to vote the number of shares of Transatlantic common stock owned by Davis Advisors in excess of 9.9% of Transatlantic's outstanding shares in a manner proportionate to the vote of the owners of the shares (excluding Davis Advisors, stockholders beneficially owning more than 10% of Transatlantic's outstanding shares, and directors and officers of Transatlantic) voting on such matters. A list of stockholders of Transatlantic will be available for review for any purpose germane to the Transatlantic special meeting at Transatlantic's headquarters, at 80 Pine Street, New York, NY 10005 during regular business hours for a period of ten days before the Transatlantic special meeting. The list will also be available at the Transatlantic special meeting during the whole time thereof for examination by any stockholder of record present at the Transatlantic special meeting.



## **Table of Contents**

### **Voting by Transatlantic s Directors and Executive Officers**

At the close of business on the Transatlantic record date, directors and executive officers of Transatlantic and their affiliates were entitled to vote 221,957 shares of Transatlantic common stock, or approximately 0.4% of the shares of Transatlantic common stock outstanding on that date, which represents approximately 0.8% of the votes required for the adoption of the merger agreement. We currently expect that Transatlantic s directors and executive officers will vote their shares in favor of each of the proposals to be considered and voted upon at the Transatlantic special meeting, although none of them has entered into any agreement obligating them to do so.

### **Quorum**

No business may be transacted at the Transatlantic special meeting unless a quorum is present. Attendance in person or by proxy at the Transatlantic special meeting of holders of record of a majority of the aggregate voting power of the outstanding shares of Transatlantic common stock entitled to vote at the meeting will constitute a quorum. If a quorum is not present, or if fewer shares of Transatlantic common stock are voted in favor of the proposal to adopt the merger agreement than the number required for its adoption, the Transatlantic special meeting may be adjourned to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the Transatlantic special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the Transatlantic special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Failures to vote will not be included in the calculation of the number of shares of Transatlantic common stock represented at the Transatlantic special meeting for purposes of determining whether a quorum has been achieved. Abstentions (shares of Transatlantic common stock for which proxies have been received but for which the holders have abstained from voting) will be included in the calculation of the number of shares of Transatlantic common stock represented at the Transatlantic special meeting for purposes of determining whether a quorum has been achieved. Under NYSE rules, if brokers do not have discretion to vote on any of the proposals at a stockholders meeting, broker non-votes will not count toward the calculation of a quorum. As each of the proposals to be voted on at the Transatlantic special meeting is considered non-routine under NYSE rules, brokers do not have discretion to vote on such proposals and as such, broker non-votes will not be included in the calculation of the number of shares of Transatlantic common stock represented at the Transatlantic special meeting for purposes of determining whether a quorum has been achieved.

### **Required Vote**

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Transatlantic common stock entitled to vote thereon. Failures to vote, abstentions and broker non-votes, if any, will have the effect of a vote AGAINST the proposal.

The approval of the Transatlantic adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. The Transatlantic stockholders may so adjourn the Transatlantic special meeting to another time or place without further notice. Abstaining will have the same effect as a vote AGAINST the proposal. Failures to vote and broker non-votes, if any, will not have an effect on the adjournment proposal.

The approval of the golden parachute proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock present in person or represented by proxy and entitled to vote thereon, assuming a quorum is present. Abstentions will have the effect of a vote AGAINST the proposal. Failures to vote and broker non-votes, if any, will not have an effect on the proposal, assuming a quorum is present.

## **Table of Contents**

### **Failures to Vote, Broker Non-Votes and Abstentions**

Under the rules of the NYSE, banks, brokerage firms or other nominees holding shares of record may vote those shares in their discretion on certain routine proposals when they do not receive timely voting instructions from the beneficial holders. A broker non-vote occurs under these NYSE rules when a bank, brokerage firm or other nominee holding shares of record is not permitted to vote on a non-routine matter without instructions from the beneficial owner of the shares and no instruction is given.

In accordance with these NYSE rules, banks, brokers and other nominees who hold shares of Transatlantic common stock in street name for their customers, but do not have discretionary authority to vote the shares, may not exercise their voting discretion with respect to the adoption of the merger agreement, the Transatlantic adjournment proposal or the golden parachute proposal. Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the adoption of the merger agreement, the Transatlantic adjournment proposal or the golden parachute proposal. For shares of Transatlantic common stock held in street name, only shares of Transatlantic common stock affirmatively voted FOR the adoption of the merger agreement, the Transatlantic adjournment proposal and the golden parachute proposal will be counted as affirmative votes therefor.

Abstentions, failures to vote and broker non-votes, if any, will have the same effect as a vote AGAINST the adoption of the merger agreement. Abstentions will have the same effect as a vote AGAINST the adjournment proposal. Failures to vote and broker non-votes, if any, will have no effect on the approval of the adjournment proposal. Abstentions will have the same effect as a vote AGAINST the golden parachute proposal. Failures to vote and broker non-votes, if any, will not have an effect on the golden parachute proposal, assuming a quorum is present.

### **Voting at the Transatlantic Special Meeting**

**Whether or not you plan to attend the Transatlantic special meeting, please submit a proxy for your shares.** If you are a registered or record holder, which means your shares are registered in your name with American Stock Transfer & Trust Company LLC, Transatlantic's transfer agent and registrar, you may vote in person at the Transatlantic special meeting or by proxy. If your shares are held in street name, which means your shares are held of record in an account with a bank, brokerage firm or other nominee, you must follow the instructions from your bank, brokerage firm or other nominee in order to vote.

### **Voting in Person**

If you plan to attend the Transatlantic special meeting and wish to vote in person, you will be given a ballot at the Transatlantic special meeting. Please note, however, that if your shares are held in street name, and you wish to vote at the Transatlantic special meeting, you must bring to the Transatlantic special meeting a proxy executed in your favor from the record holder (your bank, brokerage firm or other nominee) of the shares authorizing you to vote at the Transatlantic special meeting.

In addition, if you are a registered Transatlantic stockholder, please be prepared to provide proper identification, such as a driver's license, in order to be admitted to the Transatlantic special meeting. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your bank, brokerage firm or other nominee, along with proper identification.

### **Voting by Proxy**

If you are a holder of record, a proxy card is enclosed for your use. Transatlantic requests that you submit a proxy by:

logging onto <http://proxy.georgeson.com> and following the instructions on your proxy card to submit a proxy via the internet anytime up to 11:00 p.m., New York City time, on February 5, 2012 and following the instructions provided on that site;

---

**Table of Contents**

dialing 1-800-652-VOTE (8683) and listening for further directions to submit a proxy by telephone anytime up to 11:00 p.m., New York City time, on February 5, 2012 and following the instructions provided in the recorded message; or

signing and returning the accompanying proxy card in the enclosed postage-paid envelope. Transatlantic stockholders of record may submit their proxies through the mail by completing their proxy card, and signing, dating and returning it in the enclosed, pre-addressed, postage-paid envelope. To be valid, a returned proxy card must be signed and dated.

**You should submit your proxy in advance of the Transatlantic special meeting even if you plan to attend the Transatlantic special meeting. You can always change your vote at the Transatlantic special meeting.**

If you hold your shares of Transatlantic common stock in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank, brokerage firm or other nominee. Please note that you may not vote shares of Transatlantic common stock held in street name by returning a proxy card directly to Transatlantic or by voting in person at the Transatlantic special meeting unless you have a legal proxy, which you must obtain from your bank, brokerage firm or other nominee. Further, brokers who hold shares of Transatlantic common stock on behalf of their customers may not give a proxy to Transatlantic to vote those shares without specific instructions from their customers.

If you are a Transatlantic stockholder and you do not instruct your bank, brokerage firm or other nominee on how to vote your shares your bank, brokerage firm broker or other nominee, as applicable, may not vote your shares on any of the proposals to be considered and voted upon at the Transatlantic special meeting as all such matters are deemed non-routine matters pursuant to applicable NYSE rules.

If a proxy is returned without an indication as to how the shares of Transatlantic common stock represented are to be voted with regard to a particular proposal, the shares of Transatlantic common stock represented by the proxy will be voted in accordance with the recommendation of the Transatlantic board of directors and, therefore, FOR each of the proposals to be considered and voted upon at the Transatlantic special meeting. As of the date hereof, management has no knowledge of any business that will be presented for consideration at the Transatlantic special meeting and that would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in Transatlantic's Notice of Special Meeting of Stockholders. If any other matter is properly presented at the Transatlantic special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Accordingly, please sign, date and return the enclosed proxy card whether or not you plan to attend the Transatlantic special meeting in person.**

**How Proxies Are Counted**

All shares of Transatlantic common stock represented by properly executed proxies received in time for the Transatlantic special meeting will be voted at the meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the adoption of the merger agreement, FOR the Transatlantic adjournment proposal and FOR the golden parachute proposal.

Only shares of Transatlantic common stock affirmatively voted for the applicable proposal, and properly executed proxies that do not contain voting instructions, will be counted as favorable votes for adoption of the merger agreement, the Transatlantic adjournment proposal and the golden parachute proposal. Abstentions, failures to vote and broker non-votes, if any, will have the same effect as votes AGAINST the adoption of the merger agreement. Abstentions will have the same effect as a vote AGAINST the Transatlantic adjournment



## **Table of Contents**

proposal. Failures to vote and broker non-votes, if any, will have no effect on the approval of the Transatlantic adjournment proposal. Abstentions will have the same effect as a vote AGAINST the golden parachute proposal. Failures to vote and broker non-votes, if any, will not have an effect on the golden parachute proposal, assuming a quorum is present.

### **Revocation of Proxies**

If you are the record holder of shares of Transatlantic common stock, you can change or revoke your proxy at any time before your proxy is voted at the Transatlantic special meeting. You can do this by:

timely delivering a new, valid proxy bearing a later date by submitting instructions via the internet, by telephone or by mail as described on the proxy card;

timely delivering a signed written notice of revocation to the Secretary of Transatlantic; or

attending the Transatlantic special meeting and voting in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person. Simply attending the Transatlantic special meeting without voting will not change or revoke any proxy that you have previously given.

A registered Transatlantic stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the Transatlantic stockholder's previous proxy.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Transatlantic Holdings, Inc.

80 Pine Street

New York, NY 10005

Attention: Secretary

If your shares are held in street name by your broker, bank or nominee, you should contact your broker, bank or nominee to change your vote.

### **Solicitation of Proxies**

Transatlantic is soliciting proxies for the Transatlantic special meeting from its stockholders. In accordance with the merger agreement, Transatlantic and Alleghany will share equally all fees and expenses in relation to the printing, filing and distribution of this joint proxy statement/prospectus. Transatlantic will pay all of its other costs of soliciting proxies. In addition to solicitation by use of the mails, proxies may be solicited by Transatlantic's directors, officers and employees in person or by telephone or other means of communication. These persons will not receive additional compensation, but may be reimbursed for reasonable out-of-pocket expenses in connection with this solicitation.

Transatlantic has engaged Georgeson Inc. to assist in the solicitation of proxies for the Transatlantic special meeting. Transatlantic estimates that it will pay Georgeson Inc. a fee of approximately \$16,000 for proxy solicitation services. Transatlantic will also reimburse Georgeson Inc. for reasonable out-of-pocket expenses and will indemnify Georgeson Inc. and its affiliates against certain claims, liabilities, losses, damages and expenses. Transatlantic will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of shares of Transatlantic common stock held of record by them. Transatlantic will also reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

**Table of Contents**

**Adjournments or Postponements**

Any adjournment of the Transatlantic special meeting may be made from time to time by the Transatlantic stockholders, by the affirmative vote of the holders of a majority of shares of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present, without further notice other than by an announcement made at the Transatlantic special meeting. If a quorum is not present at the Transatlantic special meeting, or if a quorum is present at the Transatlantic special meeting but there are not sufficient votes at the time of the Transatlantic special meeting to approve the adoption of the merger agreement, then Transatlantic stockholders may be asked to vote to adjourn the Transatlantic special meeting so as to permit the further solicitation of proxies.

Transatlantic may postpone or adjourn its special meeting to a date that is no later than 30 days after the date on which the original special meeting was scheduled to be held (i) with the consent of Alleghany, (ii) in order for a quorum to be present, (iii) to allow reasonable additional time for the filing and mailing of any supplemental disclosure which must be disseminated under applicable law, (iv) to allow reasonable additional time to solicit additional proxies, (v) if required by applicable law, or (vi) if Transatlantic intends to make an adverse recommendation change.

**Table of Contents**

**TRANSATLANTIC PROPOSALS**

**Transatlantic Proposal 1: Adoption of the Merger Agreement**

Transatlantic is asking its stockholders to adopt the merger agreement. For a detailed discussion of the terms and conditions of the merger agreement, see The Merger Agreement. As discussed in the section entitled The Merger Transatlantic s Reasons for the Merger; Recommendation of the Transatlantic Board of Directors, after careful consideration, the Transatlantic board of directors, by a unanimous vote of all directors, approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interest of Transatlantic and the Transatlantic stockholders.

**Required Vote**

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Transatlantic common stock entitled to vote thereon. Failures to vote, abstentions and broker non-votes, if any, will have the effect of a vote AGAINST the proposal.

**The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote FOR the adoption of the merger agreement.**

## **Table of Contents**

### **Transatlantic Proposal 2: Adjournment of the Transatlantic Special Meeting**

Transatlantic stockholders are being asked to adjourn the Transatlantic special meeting, if necessary or appropriate, to solicit additional proxies in favor of the adoption of the merger agreement if there are insufficient votes at the time of such adjournment to approve such proposal.

If, at the Transatlantic special meeting, there are an insufficient number of shares of Transatlantic common stock present in person or represented by proxy and voting in favor of the adoption of the merger agreement, Transatlantic may move to adjourn the Transatlantic special meeting in order to enable the Transatlantic board of directors to solicit additional proxies for approval of such proposal.

Transatlantic is asking its stockholders to authorize the holder of any proxy solicited by the Transatlantic board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the Transatlantic special meeting to another time and place for the purpose of soliciting additional proxies. If the Transatlantic stockholders approve this proposal, Transatlantic could adjourn the Transatlantic special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Transatlantic stockholders who have previously voted. If the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, a new notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

### **Required Vote**

The approval of the Transatlantic adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Abstaining will have the same effect as a vote AGAINST the proposal. Failures to vote and broker non-votes, if any, will not have an effect on the Transatlantic adjournment proposal.

**The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote FOR the Transatlantic adjournment proposal.**

**Table of Contents**

**Transatlantic Proposal 3: Approval of Golden Parachute Payments**

Recently adopted Section 14A of the Exchange Act requires that Transatlantic provide its stockholders with the opportunity to vote to approve, on an advisory (non-binding) basis, the golden parachute compensation arrangements for Transatlantic's named executive officers, as disclosed in the section entitled "The Merger - Interests of Transatlantic Directors and Executive Officers in the Merger - Golden Parachute Compensation."

In accordance with Section 14A of the Exchange Act, in this proposal Transatlantic stockholders are being asked to approve the following non-binding resolution at the Transatlantic special meeting:

RESOLVED, that the stockholders of Transatlantic approve, on an advisory (non-binding) basis, the compensation to be paid by Transatlantic to Transatlantic's named executive officers that is based on or otherwise relates to the merger with Alleghany, as disclosed in the Golden Parachute Compensation Table and related notes and narrative disclosure in the section of the joint proxy statement/prospectus for the merger entitled "The Merger - Interests of Transatlantic's Directors and Executive Officers in the Merger - Golden Parachute Compensation."

Approval of this proposal is not a condition to completion of the merger, and the vote with respect to this proposal is advisory only. Accordingly, the vote will not be binding on Transatlantic or Alleghany, or the board of directors or the compensation committee of Transatlantic or Alleghany. Because Transatlantic or Alleghany will be contractually obligated to pay the golden parachute compensation, if the merger agreement is adopted and the merger is completed, the golden parachute compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

**Required Vote**

The approval of the golden parachute proposal requires the affirmative vote of the holders of a majority of the shares of Transatlantic common stock present in person or represented by proxy and entitled to vote thereon, assuming a quorum is present. Abstentions will have the effect of a vote AGAINST the proposal. Failures to vote and broker non-votes, if any, will not have an effect on the proposal, assuming a quorum is present.

**The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote FOR the golden parachute proposal.**

---

**Table of Contents**

**THE MERGER**

*The following is a discussion of the merger and the material terms of the merger agreement between Alleghany and Transatlantic. You are urged to read the merger agreement carefully and in its entirety, a copy of which is attached as Annex A to this joint proxy statement/prospectus and incorporated by reference herein.*

**Effects of the Merger**

At the effective time of the merger, Transatlantic will be merged with and into Merger Sub, a wholly owned subsidiary of Alleghany that was formed for the sole purpose of effecting the merger. Merger Sub will survive the merger as a wholly-owned subsidiary of Alleghany, which will be renamed Transatlantic Holdings, Inc.

In the merger, each outstanding share of Transatlantic common stock (other than shares held by Alleghany, Merger Sub or any of their respective subsidiaries, or Transatlantic, which shares will be cancelled) will be converted into the right to receive the merger consideration consisting of either cash or shares of Alleghany common stock which the holder of such share has validly elected to receive (subject to proration if the aggregate cash consideration available in the merger is oversubscribed or undersubscribed). If the aggregate consideration to be paid to any holder of Transatlantic common stock would result in such holder receiving a fractional share of Alleghany common stock, cash shall be paid in lieu of such fractional share. Alleghany stockholders will continue to hold their existing shares of Alleghany common stock.

**Background of the Merger**

From 1990, when Transatlantic became a public company, until June 2009, American International Group, Inc. (which we refer to as, together with its subsidiaries, AIG) owned a controlling interest in the outstanding Transatlantic common stock. In the second half of 2008, AIG experienced an unprecedented strain on its liquidity. This strain led to a series of transactions with the Federal Reserve Bank of New York and the U.S. Department of the Treasury. On September 29, 2008, AIG, which then owned approximately 59% of the outstanding Transatlantic common stock, filed an amendment to its Schedule 13D relating to Transatlantic stating, among other things, that AIG is exploring all strategic alternatives in connection with the potential disposition or other monetization of its . . . interest in [Transatlantic]. A special committee of directors of Transatlantic that were independent of management and of AIG (which we refer to as the Special Committee) comprised of Messrs. Richard S. Press, Ian H. Chippendale and John G. Foos was subsequently formed to evaluate proposals received from AIG relating to the possible disposition of, or other transactions involving, AIG's ownership interest in Transatlantic as well as any related business combination transactions involving Transatlantic's outstanding shares. Although several parties initially indicated possible interest in a transaction involving Transatlantic's outstanding shares, these initial indications did not proceed past preliminary proposals, execution of confidentiality and standstill agreements and exchanges of non-public information. On June 10, 2009, AIG disposed of 29,900,000 of its shares of Transatlantic common stock in a secondary public offering, reducing its ownership in Transatlantic from approximately 59% to approximately 14%. Subsequently, AIG disposed of its remaining 8,500,000 shares of Transatlantic common stock in a secondary public offering (in which Transatlantic repurchased 2,000,000 of such shares) on March 15, 2010.

Since AIG's June 2009 secondary offering, the Transatlantic board of directors and senior management have regularly reviewed and assessed strategic alternatives available to enhance stockholder value, including possible business combination transactions. In February 2010, Transatlantic selected Moelis to act as its financial advisor in connection with a review of strategic alternatives, based upon, among other things, the fact that Moelis is an internationally recognized investment banking firm that has substantial experience in merger and acquisition transactions. In October 2010, the Transatlantic board of directors disbanded the Special Committee (since AIG was no longer a significant stockholder of Transatlantic) and established a new strategy committee of the board of directors (which we refer to as the Strategy Committee), comprised of Messrs. Press, Chippendale, Foos and Stephen P. Bradley, each of whom were and are independent, to oversee Transatlantic's review of strategic alternatives.

**Table of Contents**

From time to time since AIG's June 2009 secondary offering, at the direction of the board of directors of Transatlantic and the Strategy Committee, Transatlantic's senior management engaged in preliminary discussions regarding possible business combination transactions with a number of insurance and reinsurance companies. Until the negotiations described below, these discussions did not proceed past preliminary proposals, execution of confidentiality and standstill agreements and limited exchanges of non-public information.

During the period from February 11, 2011 to March 11, 2011, Robert F. Orlich, the Chief Executive Officer of Transatlantic, and/or Michael C. Sapnar, the current President of Transatlantic, engaged in very preliminary discussions with Scott A. Carmilani, the Chairman and Chief Executive Officer of Allied World, concerning the possibility of a strategic business combination transaction involving the two companies. On March 11, 2011, Mr. Carmilani met with Messrs. Orlich and Sapnar to discuss the possibility of the companies entering into a mutual confidentiality agreement, as well as the engagement of financial advisors by both companies, in connection with a potential transaction. The individuals also had very preliminary discussions regarding possible senior management roles at the combined company.

On March 16, 2011, in connection with the regularly scheduled March 17, 2011 Transatlantic board of directors meeting, the Strategy Committee held a meeting (at which all of Transatlantic's directors were in attendance) to discuss Messrs. Orlich and Sapnar's conversations with Mr. Carmilani and the benefits of a potential strategic combination transaction between the companies. Members of Transatlantic's senior management and representatives from Gibson, Dunn & Crutcher LLP, Transatlantic's outside legal counsel (which we refer to as "Gibson Dunn"), and Moelis participated in this meeting. Representatives of Moelis reviewed with the directors recent M&A activity in the property and casualty insurance and reinsurance industry and provided an overview of potential business combination partners, including Allied World. Mr. Orlich described management's views as to the business and strategic benefits of a potential strategic combination transaction with Allied World. Following this discussion, the Strategy Committee authorized Transatlantic's senior management to continue its preliminary discussions with Allied World and to enter into a mutual confidentiality and standstill agreement.

On March 22, 2011, representatives of Transatlantic's senior management approached representatives of Goldman Sachs to discuss whether Goldman Sachs would be available to assist Transatlantic in connection with the proposed transaction with Allied World.

On March 27, 2011, Transatlantic and Allied World entered into a mutual confidentiality and standstill agreement (which we refer to as the "Allied World Confidentiality Agreement"), and both parties and their advisors began due diligence.

Starting on March 27, 2011 and continuing until the execution of the Agreement and Plan of Merger, dated as of June 12, 2011, by and among Allied World, GO Sub, LLC and Transatlantic (which we refer to as the "Allied World Merger Agreement") the management teams of Transatlantic and Allied World, together with their respective financial, actuarial, tax and legal advisors, performed extensive due diligence on each other through a series of meetings, telephonic discussions and a review of both public and non-public information, evaluated a variety of possible transaction structures and negotiated the terms of a possible transaction.

On April 11, 2011, Transatlantic and Allied World entered into a 30-day mutual exclusivity agreement.

On May 20, 2011, Allied World delivered its best and final written offer to Transatlantic providing for a merger of equals business combination in which Transatlantic stockholders would receive 0.88 Allied World shares for each share of Transatlantic common stock and Transatlantic would become a wholly owned subsidiary of Allied World.

Also on May 20, 2011, Transatlantic publicly announced that Mr. Sapnar had been appointed as Executive Vice President and Chief Operating Officer of Transatlantic, that Mr. Thomas R. Tizzio, a director of Transatlantic, had notified the Transatlantic board of directors that he would not stand for re-election at the

**Table of Contents**

upcoming Transatlantic annual stockholders meeting for personal reasons and that the Transatlantic board of directors intended to fill the vacancy on the Transatlantic board of directors with Mr. Sapnar, effective following the annual meeting of stockholders.

On May 26, 2011, Transatlantic held a regularly scheduled meeting of its board of directors at which the directors discussed, among other things, the proposal received from Allied World on May 20, 2011 and the substance of subsequent discussions between Goldman Sachs, Moelis and Deutsche Bank Securities Inc., financial advisor to Allied World.

On May 27, 2011, Transatlantic and Allied World executed an amendment to the exclusivity agreement (which had expired on May 11, 2011), extending its term until June 15, 2011.

Between June 1, 2011 and June 10, 2011, representatives of Transatlantic and Allied World held various discussions with rating agencies and insurance regulators to notify them of the proposed business combination transaction.

On June 3, 2011, Mr. Orlich received an unsolicited telephone call from Edward J. Noonan, the Chief Executive Officer and Chairman of the board of directors of Validus, regarding a possible business combination transaction between Transatlantic and Validus. Subsequently, on June 7, 2011, Validus delivered a letter (which we refer to as the Validus Indication of Interest Letter ) to Transatlantic expressing an interest in discussing a potential business combination transaction, which letter did not contain any economic or other specific terms for a proposed transaction. Following a discussion among the directors, Transatlantic's management and Transatlantic's advisors, the Transatlantic board of directors determined to continue its negotiations with Allied World and to discuss the Validus Indication of Interest Letter at the June 12, 2011 Transatlantic board of directors special meeting.

During the week of June 6, 2011, Transatlantic and Allied World and their respective counsel finalized the terms of the proposed merger agreement, including, among other things, the representations and warranties, covenants (including the non-solicitation covenant), termination rights, termination fees and the expense reimbursement provisions.

On June 12, 2011, the Transatlantic board of directors met telephonically. Members of Transatlantic's management, as well as representatives from Gibson Dunn, Goldman Sachs, Moelis and PricewaterhouseCoopers LLP, Transatlantic's auditor and tax advisor (which we refer to as PWC ), were present at the meeting. Representatives of Transatlantic's management and Gibson Dunn provided an overview of further developments relating to the proposed strategic combination transaction with Allied World, including that negotiations regarding the Allied World Merger Agreement had been substantially finalized and that the Allied World board of directors had unanimously approved the Allied World Merger Agreement. Representatives of Gibson Dunn then reviewed with the directors the applicable legal standards in the context of considering a strategic combination transaction of the type being proposed and the final terms of the Allied World Merger Agreement. Representatives from PWC reviewed with the directors the tax implications of the proposed transaction with respect to Transatlantic, its stockholders and the combined company following consummation of the proposed merger with Allied World. Members of Transatlantic's management reviewed with the Transatlantic board of directors the potential benefits of a business combination with Allied World, including the financial and strategic rationale and the potential synergies. Representatives of Transatlantic's financial advisors then reviewed certain publicly available information regarding Validus and analyses of hypothetical business combination transactions with Validus. The directors and management discussed in detail the Validus Indication of Interest Letter, including (i) the fact that, in the past, preliminary discussions with Validus regarding a possible business combination had never advanced and (ii) that pursuing a transaction with Validus would likely have an adverse effect on Allied World's willingness to proceed with the proposed transaction on the economic and other terms that had been agreed to. The directors and management also discussed the fact that a business combination with Validus would not deliver the strategic benefits that could be achieved with the proposed merger with Allied



---

**Table of Contents**

World, including, but not limited to: (i) the higher contribution to revenues and earnings from primary insurance; (ii) a greater focus on specialty insurance and reinsurance markets; (iii) the high probability of the combined company maintaining Transatlantic's current credit ratings; and (iv) the benefits of Allied World's domicile as compared to Validus's. Representatives of Moelis then presented to the Transatlantic board of directors various financial analyses of the proposed merger with Allied World. Following these discussions, the Transatlantic board of directors unanimously determined that the Allied World Merger Agreement and the transactions contemplated by the Allied World Merger Agreement, including the merger with Allied World, were advisable and in the best interests of Transatlantic and its stockholders and voted unanimously to approve the Allied World Merger Agreement.

Following the board meeting on June 12, 2011, all agreements were finalized and the Allied World Merger Agreement was then executed by Transatlantic, Allied World and GO Sub, LLC. Later that day, Transatlantic and Allied World issued a joint press release announcing the proposed merger between Transatlantic and Allied World.

On June 14, 2011, Davis Advisors, Transatlantic's largest stockholder, publicly announced that as of June 13, 2011, it had serious concerns about the proposed transaction with Allied World, and that it may oppose the proposed transaction, encourage Transatlantic to explore other strategic options to maximize stockholder value, and have additional conversations with Transatlantic and/or third parties regarding opportunities to maximize Transatlantic's value.

On July 12, 2011, Mr. Orlich received an unsolicited telephone call from Mr. Noonan. Mr. Noonan spoke to Mr. Orlich and stated that Validus would be making a proposal to acquire Transatlantic in a merger pursuant to which Transatlantic's stockholders would receive 1.5564 Validus shares in the merger and \$8.00 per share in cash pursuant to a one-time special dividend from Transatlantic immediately prior to closing of the merger. Mr. Noonan also noted that Validus preferred to work cooperatively with Transatlantic to complete a consensual transaction, but was prepared to take the Validus offer directly to Transatlantic's stockholders if necessary.

Subsequently on July 12, 2011, the Transatlantic board of directors received an unsolicited proposal letter from Validus to acquire all of the outstanding shares of Transatlantic common stock (which we refer to as the "Original Validus Proposal"). Pursuant to the Original Validus Proposal, Transatlantic's stockholders would receive 1.5564 Validus shares in the merger and \$8.00 per share in cash pursuant to a one-time special dividend from Transatlantic (immediately prior to the closing of the merger) for each share of Transatlantic common stock they own (which we refer to as the "Transatlantic Dividend"). The Original Validus Proposal was set forth in a proposal letter, accompanied by a draft merger agreement (which we refer to as the "Validus Merger Agreement"). Later that same day, Validus publicly disclosed its proposal by issuing a press release which included a copy of the letter.

On July 14, 2011, the Transatlantic board of directors met telephonically to discuss the Original Validus Proposal. Members of Transatlantic's management, as well as representatives of Gibson Dunn, Goldman Sachs, Moelis and PWC were present at the meeting. At the meeting, the Transatlantic board of directors asked the representatives of Goldman Sachs and Moelis to describe any current or recent prior relationships with Validus. During the meeting, representatives of Goldman Sachs disclosed that Goldman Sachs has provided certain investment banking services to Validus and its affiliates from time to time, for which Goldman Sachs's investment banking division has received compensation, and that funds managed by affiliates of Goldman Sachs currently own less than 7% of the non-voting shares of Validus. Goldman Sachs, in accordance with its internal policies, had confirmed that such services and interests did not present a conflict of interest that would preclude Goldman Sachs from representing the Transatlantic board of directors with respect to Validus. Representatives of Moelis confirmed that they had no current or prior relationships with Validus. Representatives of Gibson Dunn then reviewed with the directors the applicable legal standards in the context of considering the Original Validus Proposal and the terms of the Allied World Merger Agreement. Representatives of Gibson Dunn also discussed the principal terms of the draft Validus Merger Agreement and the material differences from the Allied World

---

**Table of Contents**

Merger Agreement, including that the draft Validus Merger Agreement provided for (i) a closing condition that counsel to each of Transatlantic and Validus provide certain tax opinions, (ii) a closing condition that the Transatlantic Dividend be declared and paid and (iii) a financing covenant that Transatlantic use its reasonable best efforts to obtain financing to fund payment of the Transatlantic Dividend. Members of management then discussed with the directors certain operational and financial aspects of the Original Validus Proposal. Representatives of Goldman Sachs and Moelis then provided the directors with their preliminary analysis regarding certain financial metrics with respect to the Original Validus Proposal. The Transatlantic board of directors then discussed the Original Validus Proposal and requested that its legal and financial advisors continue to evaluate the Original Validus Proposal so that the directors could be fully informed prior to making any determinations with respect thereto.

On July 18, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Goldman Sachs, Moelis and Richards, Layton & Finger, P.A., Transatlantic's Delaware legal counsel (which we refer to as Richards Layton ). Representatives of Gibson Dunn reviewed with the directors Transatlantic's obligations pursuant to the Allied World Merger Agreement and also described the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Representatives of Goldman Sachs and Moelis then reviewed with the directors certain preliminary financial analyses of the terms of the Original Validus Proposal and the terms of the Allied World Merger Agreement. Following a discussion, the Transatlantic board of directors determined that the Original Validus Proposal did not constitute a Superior Proposal under the terms of the Allied World Merger Agreement. The Transatlantic board of directors further determined that the Original Validus Proposal was reasonably likely to lead to a Superior Proposal and that the failure to enter into discussions regarding the Original Validus Proposal would result in a breach of its fiduciary duties under applicable law. As a result, the Transatlantic board of directors determined that Transatlantic should offer to engage in discussions and exchange information with Validus, subject to, in accordance with the Allied World Merger Agreement, (i) providing Allied World with three business days' notice of Transatlantic's intent to furnish information to and enter into discussions with Validus and (ii) obtaining from Validus an executed confidentiality agreement containing terms that are substantially similar, and not less favorable, to Transatlantic, in the aggregate, than those contained in the Allied World Confidentiality Agreement. The Transatlantic board of directors also reaffirmed its recommendation of, and its declaration of advisability with respect to, the Allied World Merger Agreement. Finally, representatives of Gibson Dunn, Goldman Sachs and Moelis reviewed Transatlantic's profile with respect to unsolicited offers and a stockholder rights plan. The Transatlantic board of directors then discussed with its advisors the terms, timing and pros and cons of adopting such a rights plan in light of the Original Validus Proposal. Transatlantic issued a press release announcing its determinations with respect to the Original Validus Proposal on July 19, 2011.

On July 20, 2011, Validus filed a preliminary proxy statement on Schedule 14A to solicit proxies from Transatlantic's stockholders to vote against the adoption of the Allied World Merger Agreement (which we refer to as the Validus No-Vote Proxy Statement ).

On July 23, 2011, following the expiration of the three business day notice period under the Allied World Merger Agreement, Transatlantic delivered a draft of a confidentiality agreement with terms (including a standstill) substantially similar, and not less favorable, to Transatlantic, in the aggregate, than those contained in the Allied World Confidentiality Agreement, as required pursuant to the Allied World Merger Agreement. Later on July 23, 2011, in-house legal counsel to Transatlantic and representatives of Gibson Dunn spoke via telephone to in-house legal counsel to Validus and a representative of Skadden, Arps, Slate, Meagher & Flom LLP (which we refer to as Skadden ), outside legal counsel to Validus, to discuss the draft of the confidentiality agreement delivered by Transatlantic earlier that day. On this call, legal counsel to Validus indicated that Validus would not execute a confidentiality agreement with a standstill provision as requested by Transatlantic pursuant to the terms of the Allied World Merger Agreement. Later that same day, a representative from Skadden delivered to Transatlantic and Gibson Dunn a markup of the draft confidentiality agreement with, among other changes, the standstill deleted. As required under the Allied World Merger Agreement, a copy of such markup was delivered

---

**Table of Contents**

to Allied World and Willkie Farr & Gallagher LLP, Allied World's outside legal counsel (which we refer to as Willkie Farr ). On July 24, 2011, a representative of Gibson Dunn communicated to a representative of Skadden and in-house counsel to Validus that Transatlantic was continuing to review the markup of the confidentiality agreement and expected to respond reasonably soon.

Subsequently on July 25, 2011, prior to receiving a response from Transatlantic or Gibson Dunn regarding the Validus markup of the confidentiality agreement, Validus sent a letter to the Transatlantic board of directors informing them that Validus was commencing an exchange offer that morning for all of the outstanding shares of Transatlantic common stock pursuant to which Transatlantic stockholders would receive 1.5564 Validus shares and \$8.00 in cash for each share of Transatlantic common stock they own (which we refer to as the Validus Exchange Offer ). The letter also indicated that Validus intended to continue soliciting Transatlantic's stockholders to vote against the proposed transaction with Allied World. Validus also issued a press release containing the foregoing letter and announcing the commencement of an exchange offer and filed a prospectus/offer to exchange with the SEC.

Also on July 25, 2011, a representative of Willkie Farr informed a representative of Gibson Dunn that (i) the markup of the Validus confidentiality agreement provided by Skadden did not conform to the provisions of the Allied World Merger Agreement and (ii) Allied World would not waive any of the provisions in the Allied World Merger Agreement with respect thereto and reserved all of its rights in all respects should Transatlantic proceed to accept the markup of the confidentiality agreement.

On July 26, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Goldman Sachs and Moelis. Representatives of Gibson Dunn reviewed with the directors the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting and then reviewed with the directors the principal terms of the Validus Exchange Offer as set forth in its prospectus/offer to exchange. Representatives of Goldman Sachs and Moelis then reviewed with the directors certain financial analyses with respect to the Validus Exchange Offer and the Allied World Merger Agreement and also reviewed certain financial metrics with respect to both Validus and Allied World. Following a discussion, the Transatlantic board of directors unanimously voted to recommend that Transatlantic's stockholders reject the Validus Exchange Offer and reaffirmed its recommendation of, and declaration of advisability with respect to, the Allied World Merger Agreement. Thereafter, representatives of Gibson Dunn discussed with the Transatlantic board of directors the principal terms of a stockholder rights plan that Transatlantic could consider adopting. The Transatlantic board of directors then discussed with its advisors the terms, timing and pros and cons of adopting the stockholder rights plan in light of Validus's filings with the SEC as they related to the Original Validus Proposal, Validus No-Vote Proxy Statement and Validus Exchange Offer. Representatives of Gibson Dunn then discussed with the Transatlantic board of directors certain proposed amendments to the Transatlantic bylaws related to the conduct of stockholder meetings. The directors then discussed with representatives of Gibson Dunn the investigation of potential claims against Validus for violations of U.S. securities and other laws in connection with the Validus Exchange Offer and Validus No-Vote Proxy Statement. Following a discussion, the Transatlantic board of directors adopted a stockholder rights plan, which has a one year term and a 10% beneficial ownership threshold, to encourage the fair and equal treatment of Transatlantic stockholders in connection with any initiative to acquire effective control of Transatlantic and to reduce the likelihood that any person, including Validus, would gain control of Transatlantic by open market accumulation or otherwise without paying a control premium for all common stock. The Transatlantic board of directors also approved certain amendments to the Transatlantic bylaws relating to the conduct of stockholder meetings, which would enable the Transatlantic board of directors to postpone, adjourn or recess a stockholder meeting to give stockholders sufficient time to consider new information released immediately prior to a meeting. Finally, the Transatlantic board of directors approved the commencement of litigation, as appropriate, against Validus.

On July 28, 2011, Transatlantic filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 recommending that Transatlantic's stockholders reject the Validus Exchange Offer. Additionally, on

## **Table of Contents**

July 28, 2011, Transatlantic filed a lawsuit against Validus in the United States District Court for the District of Delaware, alleging that Validus had violated certain securities laws by making materially false and/or misleading statements in the Validus Exchange Offer and Validus No-Vote Proxy Statement filed with the SEC.

On July 31, 2011, the Transatlantic board of directors met telephonically to discuss the progress of the proposed merger with Allied World, as well as recent events surrounding the Validus Exchange Offer. A representative of Gibson Dunn discussed with the directors certain legal matters relating to these events.

On August 2, 2011, Validus announced that it had obtained amendments to its applicable credit facilities necessary for satisfying a condition to the Validus Exchange Offer.

On August 3, 2011, Validus filed with the SEC a preliminary proxy statement with respect to a special meeting of Validus shareholders at which Validus would seek the approval of the issuance of Validus shares in connection with the Validus Exchange Offer or other acquisition transaction involving Transatlantic.

On August 4, 2011, at Transatlantic's request, Messrs. Orlich and Sapnar met with Messrs. Noonan and Consolino to discuss Transatlantic's request that Validus enter into a mutual confidentiality agreement, on the terms required under the Allied World Merger Agreement.

On August 4, 2011, Mr. Orlich received a telephone call from Ajit Jain, President of National Indemnity Company (which we refer to as National Indemnity), a member of the group of insurance companies of Berkshire Hathaway, Inc. (which we refer to as Berkshire), regarding a possible business combination between Transatlantic and National Indemnity. Subsequently, on August 5, 2011, National Indemnity delivered a letter to Transatlantic expressing an interest in acquiring Transatlantic for \$52.00 per share (which we refer to as the National Indemnity Proposal).

On August 5, 2011, at Skadden's request, representatives of Gibson Dunn met with representatives of Skadden to discuss the draft confidentiality agreement provided by Transatlantic to Validus and Skadden on July 23, 2011.

On the morning of August 8, 2011, the Transatlantic board of directors met telephonically to discuss the National Indemnity Proposal and other recent developments. Members of Transatlantic's management, as well as representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis were present at the meeting. At the meeting, the Transatlantic board of directors asked the representatives of Goldman Sachs and Moelis to describe any current or recent prior relationships with National Indemnity or Berkshire. Representatives of Goldman Sachs disclosed that Goldman Sachs had provided certain investment banking services to Berkshire and its affiliates from time to time for which the investment banking division of Goldman Sachs had received and may receive compensation. Representatives of Goldman Sachs also disclosed that on October 1, 2008, affiliates of Berkshire purchased from The Goldman Sachs Group, Inc. 50,000 shares of 10% Cumulative Perpetual Preferred Stock, Series G (which we refer to as the Preferred Stock) of The Goldman Sachs Group, Inc. (aggregate liquidation preference \$5,000,000,000) and warrants to purchase 43,578,260 shares of common stock of The Goldman Sachs Group, Inc. at an exercise price of \$115 per share. On April 18, 2011, The Goldman Sachs Group, Inc. redeemed in full the Preferred Stock held by Berkshire and certain of its subsidiaries. Goldman Sachs, in accordance with its internal policies, had confirmed that it believed such services and interests did not present a conflict of interest that would preclude Goldman Sachs from representing the Transatlantic board of directors with respect to the National Indemnity Proposal. Moelis confirmed to the Transatlantic board of directors that Moelis is not currently engaged, and has not in the prior two years been engaged, to provide services to National Indemnity or Berkshire. Representatives of Gibson Dunn and Richards Layton then reviewed with the directors the applicable legal standards in the context of considering the National Indemnity Proposal. Representatives of Goldman Sachs and Moelis then provided the directors with their preliminary analysis regarding certain financial metrics with respect to the National Indemnity Proposal and certain other matters. After extensive discussion, the Transatlantic board of directors then decided to adjourn the meeting in order to consider further the issues discussed.

**Table of Contents**

Later on August 8, 2011, the Transatlantic board of directors reconvened telephonically. Members of Transatlantic's management, as well as representatives of Gibson Dunn and Richards Layton were present at the meeting. Following a discussion, the Transatlantic board of directors determined that the National Indemnity Proposal did not constitute a Superior Proposal under the terms of the Allied World Merger Agreement. The Transatlantic board of directors further determined that the National Indemnity Proposal was reasonably likely to lead to a Superior Proposal and that the failure to enter into discussions regarding the National Indemnity Proposal would result in a breach of its fiduciary duties under applicable law. As a result, the Transatlantic board of directors determined that Transatlantic should offer to engage in discussions and exchange information with National Indemnity, subject to, in accordance with the Allied World Merger Agreement, (i) providing Allied World with three business days' notice of Transatlantic's intent to furnish information to and enter into discussions with National Indemnity and (ii) obtaining from National Indemnity an executed confidentiality agreement containing terms that are substantially similar, and no less favorable, to Transatlantic, in the aggregate, than those contained in the Allied World Confidentiality Agreement.

On August 10, 2011, Validus delivered a letter to the Transatlantic board of directors stating that it was providing a one-way confidentiality agreement to Transatlantic which did not contain a standstill provision and which would permit Transatlantic to review non-public information regarding Validus. Also on August 10, 2011, Validus filed a complaint against Transatlantic, the members of the Transatlantic board of directors, Allied World and GO Sub, LLC in the Delaware Court of Chancery alleging, among other things, that the members of the Transatlantic board of directors breached their fiduciary duties in connection with the Original Validus Proposal and that Allied World and GO Sub, LLC aided and abetted these alleged breaches.

On the evening of August 11 and on August 12, 2011, representatives of Gibson Dunn and in-house counsel to National Indemnity negotiated the terms of a proposed confidentiality agreement (including a standstill provision) between Transatlantic and National Indemnity (which we refer to as the National Indemnity Confidentiality Agreement).

On August 12, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, to review and consider the National Indemnity Confidentiality Agreement and the one-way confidentiality agreement provided by Validus. Representatives of Gibson Dunn discussed with the Transatlantic board of directors the terms of the one-way confidentiality agreement provided by Validus and the terms of the National Indemnity Confidentiality Agreement, in each case in light of the applicable legal standards and Transatlantic's obligations under the Allied World Merger Agreement. At this meeting, the Transatlantic board of directors considered that entering into the one-way confidentiality agreement provided by Validus could expose Transatlantic to the risk of liability for breach of the Allied World Merger Agreement because it did not contain terms that were substantially similar to, and not less favorable to Transatlantic, in the aggregate, than those contained in the Allied World Confidentiality Agreement and was not otherwise permissible under the Allied World Merger Agreement, and therefore determined to take no action with respect to the one-way confidentiality agreement. After further discussion at the meeting, the Transatlantic board of directors determined in good faith that the National Indemnity Confidentiality Agreement contained terms that were substantially similar to, and not less favorable to Transatlantic, in the aggregate, than those contained in the Allied World Confidentiality Agreement. The Transatlantic board of directors therefore authorized management to enter into the National Indemnity Confidentiality Agreement. Subsequent to the Transatlantic board of directors' determination, Transatlantic and National Indemnity entered into the National Indemnity Confidentiality Agreement. Also on August 12, 2011, Transatlantic issued a press release announcing that it had entered into the National Indemnity Confidentiality Agreement and commenced discussions with National Indemnity.

Commencing on August 12, 2011 through the expiration of National Indemnity's reinstated offer on September 19, 2011 (as described below), representatives of Transatlantic engaged in discussions, and exchanged limited information, with representatives of National Indemnity.

**Table of Contents**

On August 22, 2011, legal counsel to Transatlantic and legal counsel to Validus attended a conference with Chancellor Strine in the Delaware Court of Chancery during which Chancellor Strine denied the motion brought by Validus to expedite discovery on Validus' claim that the Transatlantic board of directors breached its fiduciary duties in calling for Validus to enter into a confidentiality agreement with a standstill, noting that confidentiality agreements with standstill provisions are common deal terms. Chancellor Strine further denied, in large part, the request by the stockholder plaintiffs who had also initiated litigation against Transatlantic for expedited discovery and did not schedule a preliminary injunction hearing on the stockholders' claims.

Between August 22, 2011 and September 6, 2011, Transatlantic, Allied World, and their respective advisors engaged in a number of meetings and conference calls to discuss the possibility of amending the terms of the Allied World Merger Agreement.

On August 24, 2011, Davis Advisors, Transatlantic's largest stockholder, publicly announced that as of August 23, 2011, it had decided to oppose the Allied World Merger Agreement.

On August 25, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Goldman Sachs and Moelis. The directors discussed Davis Advisors' opposition to the Allied World Merger Agreement and potential strategic options for Transatlantic in the event it was not able to obtain stockholder approval for the Allied World Merger Agreement. Among other things, the directors discussed the possibility of negotiating for increased consideration from Allied World or terminating the Allied World Merger Agreement in order to pursue other strategic alternatives which could provide greater value to Transatlantic stockholders.

On August 29, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Goldman Sachs and Moelis reviewed with the directors certain other potential strategic options with respect to Allied World and Validus.

On September 6, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis to discuss the status of discussions with Allied World and National Indemnity. The directors discussed the implications of terminating the Allied World Merger Agreement and the potential strategic alternatives that would be available to Transatlantic in the event that the Allied World Merger Agreement was terminated, including the possibility of remaining independent. Following this discussion, the directors authorized Mr. Sapnar to commence discussions with Allied World regarding the termination of the Allied World Merger Agreement.

From September 6, 2011 until the termination of the Allied World Merger Agreement on September 16, 2011, Transatlantic, Allied World and their respective advisors engaged in a number of conference calls to discuss the terms upon which the parties might be willing to terminate the Allied World Merger Agreement.

On September 8, 2011, the Transatlantic board of directors held its regularly scheduled quarterly board meeting. Members of Transatlantic management as well as representatives of Gibson Dunn, Goldman Sachs and Moelis attended this meeting. In addition to regular agenda items, the directors discussed a number of strategic alternatives for Transatlantic, including the possibility of terminating the Allied World Merger Agreement and commencing a stock repurchase program upon such termination.

On September 11, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis to discuss the status of discussions with Allied World regarding termination of the Allied World Merger Agreement and Transatlantic's strategic alternatives in the event of such a termination, including its strategy to remain an independent entity and the possibility of commencing a stock repurchase program.

---

**Table of Contents**

On September 14, 2011, Validus filed a preliminary consent statement with the SEC soliciting written consents from Transatlantic's stockholders to, among other things, remove all of Transatlantic's directors and appoint three directors nominated by Validus.

Also on September 14, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn reviewed the applicable legal standards in connection with the matters to be considered by the Transatlantic board of directors at the meeting. Representatives of Gibson Dunn discussed with the directors the consent solicitation materials filed by Validus. Mr. Sapnar then provided the directors with updates regarding the status of discussions with Allied World regarding the termination of the Allied World Merger Agreement and his conversations with certain Transatlantic stockholders. Representatives of Goldman Sachs and Moelis then reviewed with the directors certain potential strategic alternatives for Transatlantic in the event the Allied World Merger Agreement was terminated. Among other things, the directors considered the status of discussions with National Indemnity and the fact that National Indemnity had indicated that it would not increase its price above \$52.00 or conduct additional due diligence and that the cash consideration being offered by National Indemnity represented a substantial discount to Transatlantic's book value without providing stockholders with the ability to participate in any potential future upside. In addition, the directors discussed the apparent opposition of a substantial portion of Transatlantic's stockholders to the Allied World Merger Agreement, and that Allied World had indicated that it was unwilling to increase the consideration payable to Transatlantic's stockholders pursuant to the Allied World Merger Agreement. Following this discussion, the Transatlantic board of directors unanimously resolved to terminate the Allied World Merger Agreement on the terms that had been negotiated with Allied World, and approved a strategic plan for Transatlantic (which we refer to as the Strategic Plan ) which provided, among other things, for the repurchase of up to \$600,000,000 of shares of Transatlantic common stock (\$300,000,000 of shares of Transatlantic common stock through December 31, 2011 and the remaining \$300,000,000 of shares of Transatlantic common stock during 2012) (which we refer to as the Share Repurchases ), which Share Repurchases were to be conducted through open market or negotiated purchases. The Transatlantic board of directors also authorized Transatlantic's senior management and financial advisors to engage in preliminary discussions regarding potential strategic transactions with Validus and any other third parties that may communicate a good faith interest in engaging in such discussions with Transatlantic, subject in each case to the execution of an appropriate confidentiality agreement. Finally, the Transatlantic board of directors appointed Mr. Sapnar as President of Transatlantic and as Chief Executive Officer of Transatlantic upon Mr. Orlich's previously announced retirement, as of January 1, 2012.

On September 15, 2011, Transatlantic entered into a Termination Agreement with Allied World and GO Sub, LLC (which we refer to as the Termination Agreement ), pursuant to which the parties mutually terminated the Allied World Merger Agreement. Pursuant to the Termination Agreement, Transatlantic agreed to pay Allied World a termination fee in the amount of \$35,000,000 (and expense reimbursement in the amount of \$13,256,000), within two business days of execution thereof. Transatlantic also agreed to pay Allied World an additional fee in the amount of \$66,744,000 in the event that, prior to September 15, 2012, Transatlantic entered into any definitive agreement in respect of any Competing Transaction (as defined in the Allied World Merger Agreement) or recommended or submitted a Competing Transaction to its stockholders for adoption, or a transaction in respect of a Competing Transaction was consummated.

On September 16, 2011, Transatlantic issued a press release and disseminated a letter to stockholders and employees relating to, among other things, the Termination Agreement and the Strategic Plan (including the Share Repurchases). The press release and stockholder letter also announced that although Transatlantic and National Indemnity have engaged in discussions, National Indemnity has been interested in conducting only very limited due diligence, focused solely on Transatlantic's Zurich subsidiary. National Indemnity had conveyed to Transatlantic that it was unwilling to increase the terms of its proposal and is only interested in an acquisition at or below \$52.00 per share.

Following the announcement of the Termination Agreement, upon the request of the Transatlantic board of directors, members of Transatlantic's management and representatives of Goldman Sachs and Moelis made

## Table of Contents

outbound calls to approximately 8 third parties in order to determine the interest of such parties in engaging in discussions with Transatlantic regarding a potential strategic transaction. None of these outbound calls resulted in the execution of a confidentiality agreement or a proposal.

On September 16, 2011, Transatlantic received a letter from National Indemnity reinstating National Indemnity's previous proposal to acquire Transatlantic for \$52.00 in cash per share of Transatlantic common stock. The letter also stated that the National Indemnity proposal was open for acceptance until the close of business on Monday, September 19, 2011 and that National Indemnity would not be renewing its offer. On September 19, 2011, Transatlantic issued a press release disclosing the National Indemnity letter and noting, among other things, the Transatlantic board of directors' belief that selling Transatlantic for cash at the substantial discount to book value represented by the National Indemnity proposal simply would not deliver fair value to stockholders and that National Indemnity had neither increased its \$52.00 per share proposal nor shown interest in conducting due diligence or holding discussions that could lead to a higher offer.

Also on September 16, 2011, a representative of a potential consortium of investors (which we refer to as Consortium A) called a representative of Goldman Sachs to request a conference call with Transatlantic. Later that same day, Mr. Joseph Brandon and such representative of Consortium A had a telephonic conversation with Messrs. Press and John L. McCarthy regarding a potential strategic transaction, pursuant to which Transatlantic could be merged with a newly-formed offshore entity financed by the investors in Consortium A. In the proposed transaction, Transatlantic stockholders would be offered the option to elect either stock of the surviving company or cash, subject to proration, with the investors in Consortium A holding 41% of the shares of the surviving company and current Transatlantic stockholders holding the remaining 59% of the shares of the surviving company. No specific pricing terms were discussed during this conversation, although the representatives of Consortium A indicated that the cash portion of the per share consideration would be in excess of that currently being offered by Validus. Transatlantic was subsequently informed that Alleghany was to be the lead investor in Consortium A.

On September 19, 2011, the Transatlantic board of directors appointed a newly constituted Strategy Committee, comprised of Messrs. Press, Bradley and Sapnar, to oversee Transatlantic's strategic review process and to provide recommendations to the Transatlantic board of directors with respect to Transatlantic's strategic alternatives.

On September 20, 2011, Messrs. Press, Bradley and Sapnar met with representatives of Consortium A at Gibson Dunn's offices in New York in order to discuss the terms of a possible transaction. Also on September 20, 2011, at a regularly scheduled meeting of the Alleghany board of directors, members of Alleghany management outlined the opportunity to the directors for a potential transaction whereby Alleghany would be the lead investor in a consortium of investors that would purchase a 41% stake in Transatlantic.

On September 23, 2011, Transatlantic entered into a confidentiality agreement with Validus (which we refer to as the Validus Confidentiality Agreement). Pursuant to the Validus Confidentiality Agreement, Validus agreed, during a period expiring at 11:59 p.m., Eastern time, on October 31, 2011, not to take, or enter into an agreement with any third party regarding, certain actions, including acquiring any additional shares of Transatlantic common stock, mailing a consent solicitation statement to Transatlantic stockholders or collecting consent cards with respect to Validus's previously announced consent solicitation to remove and replace the Transatlantic board of directors or seeking to call a special meeting of Transatlantic's stockholders pursuant to the Transatlantic bylaws. Validus and Transatlantic also agreed to take no action with respect to their pending litigation in the Delaware Court of Chancery and United States District Court for the State of Delaware during this period.

Starting on September 23, 2011 and continuing through November 2, 2011, (i) the management teams of Transatlantic and Validus, together with their respective financial, actuarial, tax and legal advisors, performed mutual due diligence and discussed the structure of a possible transaction through a series of meetings,



## **Table of Contents**

telephonic discussions and a review of both public and non-public information and (ii) members of the Strategy Committee, and the Transatlantic board of directors, discussed with Transatlantic's legal and financial advisors and members of Transatlantic's management to discuss the progress of due diligence and discussions with Validus.

On September 25, 2011, Branhurst Limited, a newly-formed entity controlled by representatives of Consortium A, entered into a confidentiality agreement with Transatlantic (which we refer to as the Branhurst Confidentiality Agreement), which included a limited standstill ending at 11:59 p.m. on October 31, 2011. Thereafter, certain investors in, and advisors to, Consortium A, including Alleghany, executed joinders to the Branhurst Confidentiality Agreement or individual confidentiality agreements with Transatlantic.

Starting on September 25, 2011 and continuing until November 4, 2011, (i) Transatlantic's management team, together with Transatlantic's financial, actuarial, tax and legal advisors, participated in a series of meetings and telephonic discussions with representatives of Consortium A in order to discuss, among other things, due diligence matters, transaction structure, and the potential terms of a transaction and (ii) members of the Strategy Committee, and the Transatlantic board of directors, discussed with Transatlantic's legal and financial advisors and members of Transatlantic's management the progress of due diligence and discussions with Consortium A.

On September 29, 2011, Alleghany entered into a confidentiality agreement directly with Transatlantic on customary terms, which included a limited standstill ending on 11:59 p.m. on October 31, 2011.

On October 4, 2011, another consortium of investors led by a third party (which we refer to as Consortium B) approached representatives of Goldman Sachs regarding a potential transaction, pursuant to which all of the outstanding shares of Transatlantic common stock would be acquired by Consortium B for cash.

On October 5, 2011, members of Transatlantic's and Validus's managements and representatives of Skadden, Gibson Dunn, Goldman Sachs, Moelis and Greenhill & Co., LLC, Validus's financial advisor (which we refer to as Greenhill), met at Skadden's offices to discuss the structure of a possible transaction.

On October 6, 2011, Messrs. Press and Sapnar met with representatives of Consortium B at Gibson Dunn's offices to discuss a possible transaction. Representatives of Consortium B described, on a preliminary basis, a potential all-cash transaction in which a consortium of investors would acquire Transatlantic and operate it as an ongoing business. Messrs. Press and Sapnar requested that representatives of Consortium B provide more details as to the proposed transaction, including the proposed sources of the debt and equity financing.

On October 6, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis, to discuss the progress of Transatlantic's strategic review process. Representatives of Gibson Dunn, Goldman Sachs and Moelis discussed with the directors the preliminary discussions that had occurred with each of Consortium A and Consortium B. Representatives of Richards Layton described to the directors the applicable legal standards in the context of a potential transaction on the terms proposed by Consortium A. The directors then discussed each of the strategic alternatives available to Transatlantic, including the possibility of remaining an independent company.

On October 7, 2011, the lead investor in Consortium B entered into a confidentiality agreement with Transatlantic, which included a limited standstill ending on October 31, 2011. Thereafter, several additional investors in Consortium B entered into confidentiality agreements with Transatlantic.

Starting on October 7, 2011 and continuing until November 20, 2011, (i) Transatlantic's management team, together with Transatlantic's financial, actuarial, tax and legal advisors, participated in a series of meetings and telephonic discussions with representatives of Consortium B in order to discuss, among other things, due diligence matters, transaction structure, insurance regulatory issues, and the potential terms of a transaction and

**Table of Contents**

(ii) members of the Strategy Committee, and the Transatlantic board of directors, discussed with Transatlantic's legal and financial advisors and members of Transatlantic's management the progress of due diligence and discussions with Consortium B. During the course of such discussions, representatives of Consortium B disclosed that, contrary to what had been discussed with Messrs. Press and Sapnar during their October 6, 2011 meeting, the Consortium B transaction would actually involve the winding down of a substantial portion of the operations of Transatlantic through a run-off structure. Throughout these discussions, representatives of Transatlantic requested further clarity as to the proposed plan for running off the existing business and creating a new entity to control the renewal rights, the proposed sources, and terms, of the debt and equity financing and as to the potential insurance regulatory risks involved in consummating the proposed transaction.

On October 16, 2011, Skadden delivered a draft of an agreement and plan of merger to Gibson Dunn, which contemplated that Validus would acquire all of the outstanding shares of Transatlantic common stock in an exchange offer followed by a second step merger.

On October 18, 2011, at a regularly scheduled meeting of the Alleghany board of directors, members of Alleghany management and representatives of Consortium A updated the directors on the status of the negotiations with Transatlantic regarding a minority investment and on the due diligence investigation being conducted by Consortium A and its financial and legal advisors.

On October 26, 2011, representatives of Goldman Sachs, Moelis and Greenhill met at Greenhill's offices. At the meeting, Greenhill orally communicated to Goldman Sachs and Moelis a possible offer by Validus whereby Validus would acquire Transatlantic pursuant to a two-step merger transaction, consisting of an exchange offer followed by a second step merger, in which Transatlantic's stockholders would receive, for each outstanding share of Transatlantic common stock, (x) 1.5564 Validus shares and (y) \$10.50 in cash as a special dividend paid by Transatlantic to its stockholders immediately prior to closing of the exchange offer.

On October 27, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn and Richards Layton described the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. The directors received an update regarding ongoing discussions with each of Validus, Consortium A and Consortium B. Representatives of Goldman Sachs and Moelis then reviewed with the directors the principal financial terms of the possible Validus offer, as communicated by Greenhill to Goldman Sachs and Moelis on October 26, 2011. The directors authorized Transatlantic's financial advisors to continue their discussions with each of Validus, Consortium A and Consortium B and noted the need to expeditiously conclude the strategic review process in light of the upcoming reinsurance renewal season beginning on January 1, 2012.

On the evening of October 28, 2011, representatives of Consortium A contacted Mr. Press in order to discuss the terms upon which Consortium A would be willing to enter into a strategic transaction with Transatlantic.

On October 30, 2011, Consortium B delivered a letter to Transatlantic setting forth a proposal to acquire all of the outstanding shares of Transatlantic common stock for \$58.00 in cash per share, subject to completion of due diligence, receipt of committed financing and the execution of definitive documentation. No debt or equity financing commitment documents were delivered with the proposal. Later that evening, a representative of Consortium B contacted Mr. Press to discuss the proposal letter.

On October 31, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn and Richards Layton described the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Mr. Press provided the directors with an update regarding his conversations with representatives of Consortium A and representatives of

**Table of Contents**

Consortium B. Representatives of Goldman Sachs and Moelis discussed with the directors conversations Goldman Sachs and Moelis had with Greenhill with respect to Validus's possible offer and also provided updates regarding their discussions with representatives of each of Consortium A and Consortium B. Members of Transatlantic management discussed certain aspects of a potential combination of Transatlantic and Validus, including with respect to the possible ratings of the combined company, Validus's intended capital management plan for the combined company, and the large catastrophe exposure of the combined company. Following a discussion, the Transatlantic board of directors authorized Goldman Sachs and Moelis to inform Greenhill that the possible offer from Validus was not financially acceptable but that the Transatlantic board of directors was willing to continue discussions with Validus regarding a possible transaction provided that the parties could agree on financial terms. The directors further authorized Goldman Sachs and Moelis to continue discussions with each of Consortium A and Consortium B.

After the meeting, representatives of Goldman Sachs and Moelis communicated the Transatlantic board of directors' position to representatives of Greenhill that Validus needed to increase the consideration to be delivered to Transatlantic stockholders to 1.8 Validus shares and \$10.50 in cash, per share of Transatlantic common stock. Later in the evening of October 31, 2011, representatives of Goldman Sachs, Greenhill and Moelis had a conference call where Greenhill orally communicated to Goldman Sachs and Moelis a revised possible offer by Validus whereby Validus would acquire Transatlantic pursuant to a two-step merger transaction, consisting of an exchange offer followed by a second step merger. Pursuant to the possible revised offer, Transatlantic's stockholders would receive, for each outstanding share of Transatlantic common stock, (x) 1.5564 Validus shares, (y) \$11.00 in cash as a special dividend, which would be funded by indebtedness, paid by Transatlantic to its stockholders immediately prior to closing of the exchange offer and (z) \$2.00 in cash as a special dividend, which would be funded by excess cash of Transatlantic, paid by Transatlantic to its stockholders immediately prior to closing of the exchange offer, although the amount of such dividend would be reduced on a dollar-for-dollar basis for any funds used by Transatlantic for share repurchases made after October 31, 2011.

Also on October 31, 2011, Mr. Noonan contacted Mr. Sapnar to discuss the potential terms of a transaction between Validus and Transatlantic.

On the morning of November 1, 2011, Validus issued a press release announcing the extension of the Validus Exchange Offer until 5:00 p.m., Eastern time, on Friday, November 25, 2011.

Also on November 1, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn described the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Representatives of Goldman Sachs and Moelis discussed with the directors the conversations Goldman Sachs and Moelis had with respect to the possible revised offer communicated by Greenhill on the evening of October 31, 2011. Representatives of Goldman Sachs and Moelis also reviewed with the directors certain preliminary financial analyses of Validus's revised proposal. Members of Transatlantic's management discussed the status of Transatlantic's review of certain aspects of a potential combination of Transatlantic and Validus. In this regard, the Transatlantic board of directors discussed, among other things, the effect that the combined company's ratings would have on its business going forward and the importance of understanding Validus's intended capital management plan for the combined company, while considering the large catastrophe exposure of the combined company. Members of Transatlantic management also discussed the status of Transatlantic's due diligence review of Validus. The directors also received updates regarding the status of discussions with each of Consortium A and Consortium B. The directors then discussed, together with Transatlantic's management and advisors, potential strategic alternatives available to Transatlantic. Among other things, the directors discussed the fact that Transatlantic stockholders would not have any ability to participate in the future upside of Transatlantic in Consortium B's proposed transaction since they would be receiving all cash. In addition, the directors discussed the desire to expeditiously conclude the strategic review process in light of the upcoming reinsurance renewal season in order

**Table of Contents**

to (i) maintain the confidence of Transatlantic's clients and brokers that Transatlantic would remain a viable reinsurer, (ii) allow those trading partners to understand the credit risk of their counterparty, including any party with which Transatlantic may enter into a strategic transaction, (iii) ensure that Transatlantic did not enter into contracts which could have adverse financial effects in the event of a later announced transaction and (iv) provide certainty regarding the future of Transatlantic to its own employees who would have to negotiate and execute renewals.

Following a discussion, the Transatlantic board of directors authorized Goldman Sachs and Moelis to inform Greenhill that (i) the Transatlantic board of directors was not in a position to accept the possible revised offer at that time, (ii) in light of the impact that the combined company's ratings would have on its business, Transatlantic was requesting that Validus approach the rating agencies together with Transatlantic to discuss the expected ratings for the combined company and (iii) in light of the importance of capital flexibility with respect to the combined company's business, Transatlantic wanted to engage in further discussions with Validus regarding the intended capital management plans for the combined company. In addition, the directors authorized Goldman Sachs and Moelis to reach out to representatives of each of Consortium A and Consortium B in order to request that each party revise its proposal to provide additional consideration to Transatlantic stockholders.

Also on November 1, 2011, Mr. Noonan called Mr. Sapnar to inform him that he was considering Transatlantic's request to jointly approach the rating agencies and to discuss the combined company's capital management plans.

On November 2, 2011, Mr. Noonan called Mr. Sapnar to arrange a meeting between representatives of Transatlantic and representatives of Validus to discuss, among other things, approaching the rating agencies and capital management plans for the combined company (which we refer to as the Proposed Meeting). The Proposed Meeting was scheduled for the evening of November 2, 2011.

Also on November 2, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn described the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Representatives of Goldman Sachs and Moelis discussed with the directors the conversation that had occurred between representatives of Goldman Sachs, Moelis and Greenhill on November 1, 2011. Mr. Sapnar also discussed with the Transatlantic board of directors his conversation with Mr. Noonan earlier that day. The directors then received additional updates regarding Transatlantic's strategic review process, including with respect to the status of discussions with Consortium A and Consortium B. The directors discussed the need to expeditiously conclude the strategic review process in light of the upcoming reinsurance renewal season.

Immediately prior to the scheduled time for the Proposed Meeting on November 2, 2011, Mr. Noonan contacted Mr. Sapnar to cancel such meeting.

Subsequently on November 2, 2011, Validus sent a letter to the Transatlantic board of directors informing them that Validus had revised the Validus Exchange Offer for all of the outstanding shares of Transatlantic common stock and would be offering Transatlantic stockholders the right to receive (x) 1.5564 Validus shares, (y) \$11.00 in cash through a pre-closing dividend funded by new indebtedness of Validus and (z) up to \$2.00 in cash through a pre-closing dividend (which we refer to as the Revised Validus Exchange Offer). The letter noted that the aggregate amount available to pay the additional \$2.00 cash pre-closing dividend to Transatlantic's stockholders would be reduced on a dollar-for-dollar basis for any funds used by Transatlantic for share repurchases made after October 31, 2011.

Also on November 2, 2011, Validus delivered two letters to Transatlantic. In the first letter, Validus demanded that the Transatlantic board of directors set a record date for its previously announced consent solicitation to, among other things, remove all of the Transatlantic directors and replace them with three Validus selected nominees. In the second letter, Validus demanded that Transatlantic deliver to Validus, among other things, a list of Transatlantic stockholders as of the date of such record date.

**Table of Contents**

On November 3, 2011, Validus issued a press release announcing the Revised Validus Exchange Offer and amended its Schedule TO.

Also on November 3, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn described the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Representatives of Goldman Sachs and Moelis then reviewed with the directors the terms of, and certain financial analyses with respect to, the Revised Validus Exchange Offer and also certain financial metrics with respect to Validus. The directors also received updates from Transatlantic's management and advisors regarding the strategic review process, including with respect to the status of discussions with Consortium A and Consortium B. Following a discussion, the Transatlantic board of directors unanimously resolved to recommend that Transatlantic's stockholders reject the Revised Validus Exchange Offer.

On November 4, 2011, Transatlantic issued a press release relating to the determination made at the November 3, 2011 meeting of the Transatlantic board of directors.

In the few days prior to November 4, 2011, Weston M. Hicks, President and Chief Executive Officer of Alleghany, spoke to members of Alleghany's board of directors about the possibility of submitting a proposal for Alleghany to acquire 100% of the outstanding capital stock of Transatlantic. The directors were supportive of the proposal and authorized Mr. Hicks to begin discussing the possible transaction with representatives of Transatlantic.

Also on November 4, 2011, Mr. Sapnar met with Mr. Hicks, at which meeting Mr. Hicks informed Mr. Sapnar that Consortium A would be terminating discussions with Transatlantic regarding the strategic transaction that had previously been discussed and that Alleghany was prepared to instead submit a proposal to effect a strategic business combination transaction between Alleghany and Transatlantic.

Later on November 4, 2011, Alleghany delivered a letter and term sheet to Transatlantic expressing an interest in entering into a transaction with Transatlantic pursuant to which Transatlantic would be merged into a wholly owned subsidiary of Alleghany, with Transatlantic stockholders receiving cash and/or shares of Alleghany common stock with an aggregate value of \$56.52 per share of Transatlantic common stock (based on the value of Alleghany's common stock as of November 4, 2011), and consisting of 0.136 shares of Alleghany common stock and \$13.20 in cash for each share of Transatlantic common stock. Alleghany's proposal further noted that in connection with the proposed transaction (i) Mr. Brandon would have a senior management role at the combined company, with Mr. Sapnar acting as the President and Chief Executive Officer of Transatlantic and Mr. Orlich acting as a senior advisor to Transatlantic, (ii) the termination fees in a potential merger agreement between Alleghany and Transatlantic would be substantially similar to those set forth in the Allied World Merger Agreement, and (iii) after the closing of the potential transaction, the Alleghany board of directors would be expanded from 11 to 14, with the three additional members coming from the Transatlantic board of directors.

On November 5, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn reviewed with the directors the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Mr. Sapnar and representatives of Goldman Sachs and Moelis provided the directors with certain information regarding Alleghany and plans to commence mutual due diligence with Alleghany. The directors then discussed the proposal received from Alleghany, as well as the Revised Validus Exchange Offer and the proposal previously received from Consortium B. Following this discussion, the directors authorized management to engage in further discussions with Alleghany regarding a potential transaction.

From November 5, 2011 and continuing until the execution of the merger agreement on November 20, 2011, the management teams of Transatlantic and Alleghany, together with their respective financial, actuarial,

**Table of Contents**

tax and legal advisors, performed extensive mutual due diligence and discussed the structure of a possible transaction through a series of meetings, telephonic discussions and a review of both public and non-public information.

On November 7, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn reviewed with the directors the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting. Representatives of Goldman Sachs and Moelis reviewed with the directors an analysis of Transatlantic's Share Repurchases, including the impact of the repurchases on Transatlantic's book value and its affect on the Revised Validus Exchange Offer. Following a discussion, the directors determined to continue the Share Repurchases. Representatives of Goldman Sachs and Moelis then reviewed a preliminary financial analysis of the proposal delivered to Transatlantic by Alleghany on November 4, 2011 as well as certain information regarding Alleghany's business and operations. The directors then engaged in a discussion regarding the strategic alternatives available to Transatlantic which could deliver value to stockholders, including the possibility of remaining independent.

On November 8, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis to discuss the progress of Transatlantic's strategic review process, including with respect to each of Alleghany and Consortium B. Among other things, the directors discussed their concerns that the Consortium B proposal was highly conditional and raised insurance regulatory concerns, that a run-off structure would potentially impair Transatlantic's ability to attract and retain business prior to the closing of any such transaction, and that the proposal would not allow Transatlantic stockholders to share in any upside potential of the proposed transaction. The directors further discussed the need to expeditiously receive all the information required to conclude the strategic review process in light of the upcoming reinsurance renewal season and authorized Transatlantic's management and advisors to continue discussions with each of Alleghany and Consortium B.

On November 9, 2011, representatives of Goldman Sachs and Moelis contacted representatives of UBS and Morgan Stanley to discuss the terms of a potential transaction between Transatlantic and Alleghany noting, among other things, that Transatlantic would be seeking increased per share consideration.

On November 11, 2011, Consortium B delivered a letter to Transatlantic setting forth a revised proposal to acquire all of the outstanding shares of Transatlantic common stock for \$60.00 in cash per share, subject to completion of due diligence, receipt of committed financing and the execution of definitive documentation. No debt or equity financing commitment documents were delivered with the proposal. The proposal letter set forth certain open requests for information and also requested that Transatlantic release Allied World from certain of its obligations under the Allied World Confidentiality Agreement in order to permit Allied World to engage in discussions regarding Consortium B's proposal with a view towards Allied World potentially acquiring renewal rights from Consortium B. Such limited release was subsequently delivered to Allied World on November 14, 2011, and permitted Allied World and Consortium B to engage in discussions until Monday, November 21, 2011, with a subsequent request by Consortium B to extend such release not granted.

Also on November 11, 2011, Wachtell, Lipton, Rosen & Katz, Alleghany's outside legal counsel (which we refer to as Wachtell Lipton), distributed a draft merger agreement to Gibson Dunn. From November 11, 2011 and continuing until the execution of the merger agreement, representatives of Alleghany, Transatlantic, Wachtell Lipton and Gibson Dunn negotiated the provisions of the merger agreement, including the representations and warranties, covenants (including the non-solicitation covenant), termination rights, termination fees and the expense reimbursement provisions.

On November 12, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Richards Layton reviewed with the directors the applicable legal standards in connection with

## **Table of Contents**

the review of the revised proposal received from Consortium B. Representatives of Goldman Sachs and Moelis reviewed certain preliminary financial analyses of the revised proposal received from Consortium B. The directors discussed, among other things, the substantial insurance regulatory and business risks associated with entering into a transaction as proposed by Consortium B, which would entail the run-off of a substantial portion of Transatlantic's business, as well as the risks that Consortium B would be unable to obtain committed financing for its proposal. The directors also considered the fact that permitting Allied World to engage in discussions with Consortium B might lead Consortium B to be able to increase the amount of the consideration payable to Transatlantic's stockholders in a possible transaction. Following a discussion, the directors determined to grant Allied World a limited release of its obligations under the Allied World Confidentiality Agreement in order to engage in discussions with Consortium B. The directors further instructed Goldman Sachs and Moelis to request that each of Alleghany and Consortium B submit their revised proposals by Wednesday, November 16, 2011.

On November 14, 2011, representatives of Consortium B delivered a draft merger agreement to representatives of Transatlantic. The draft agreement indicated that completion of a transaction with Consortium B would require Consortium B to raise approximately \$1.1 billion in debt financing prior to closing. No debt or equity commitment documents were delivered with the draft merger agreement. In the event such financing was not completed, Transatlantic's contractual remedy would be limited to a reverse break fee of approximately \$175 million and certain limited specific performance remedies.

On November 16, 2011, Consortium B delivered a letter to Transatlantic setting forth a revised proposal to acquire all of the outstanding shares of Transatlantic common stock for \$61.50 in cash per share. The letter also included a form of equity commitment letter and an executed debt commitment letter.

On the morning of November 17, 2011, Transatlantic and Alleghany held joint meetings with three rating agencies. Following these meetings, two of the rating agencies informed Transatlantic that, although no assurances could be given, Transatlantic would likely retain its current financial strength ratings as a subsidiary of Alleghany. On the afternoon of November 18, 2011, the third ratings agency provided an indicative rating conclusion that the current financial strength ratings would remain unchanged should the proposed transaction be consummated.

Later on November 17, 2011, the Strategy Committee of the Transatlantic board of directors met telephonically, along with representatives of Gibson Dunn, Goldman Sachs and Moelis. Representatives of Gibson Dunn discussed with the directors certain litigation alternatives that were available to Transatlantic, including filing a lawsuit in the Delaware Court of Chancery against Validus asserting that certain proposals in the solicitation of written consents commenced by Validus conflicted with provisions of the Transatlantic charter and Delaware law. The Strategy Committee authorized Gibson Dunn to proceed with the filing of the complaint. The Strategy Committee also received an update regarding Transatlantic's strategic review process.

On November 18, 2011, Transatlantic filed a lawsuit against Validus in the Delaware Court of Chancery alleging, among other things, that certain of the proposals set forth in Validus's proposed solicitation of written consents from Transatlantic stockholders violated provisions of the Transatlantic charter and Delaware law.

Also on November 18, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn provided a litigation update to the directors. Representatives of Goldman Sachs and Moelis reviewed certain preliminary financial analyses of the proposal received from Consortium B earlier that week and provided an update regarding the status of discussions with Alleghany. Representatives of Gibson Dunn described the terms of the draft merger agreement and commitment letters received from Consortium B. Among other things, the directors considered the execution risks associated with Consortium B's proposal, including the conditionality of the financing and the regulatory risks related to seeking approval by insurance regulators of a transaction that entailed a run-off of a substantial portion of Transatlantic's business and assets. Members of Transatlantic's management then presented to the directors a possible plan for Transatlantic to remain independent.

## Table of Contents

Also on November 18, 2011, the Alleghany board of directors held a special meeting. At this meeting, Mr. Hicks and other members of Alleghany management described in detail the terms of the proposed business combination with Transatlantic. Mr. Hicks explained that Alleghany intended, subject to the support of the Alleghany board of directors, to submit an improved proposal to Transatlantic to acquire 100% of the shares of common stock of Transatlantic for consideration consisting of 0.145 shares of Alleghany common stock and \$13.20 in cash per share. The directors then heard presentations from management and representatives of its financial and legal advisors, updating the board on the findings of the financial, accounting and legal due diligence investigations. In addition, representatives of UBS and Morgan Stanley made presentations regarding certain of their preliminary financial analyses. Representatives of Wachtell Lipton also described the proposed terms of the merger agreement. On the basis of these discussions, the Alleghany board of directors authorized Mr. Hicks and the financial and legal advisors of Alleghany to work with Transatlantic and its advisors to finalize a transaction on the terms described to them. The Alleghany board of directors agreed to meet again on November 20, 2011 to discuss the final terms of the transaction and determine whether it would approve entry into the merger agreement.

Later on November 18, 2011, representatives of Alleghany contacted representatives of Goldman Sachs and Moelis to convey a revised proposal from Alleghany consisting of 0.145 shares of Alleghany common stock and \$13.20 in cash per share of Transatlantic common stock. Representatives of Alleghany further conveyed that Alleghany's revised proposal (i) was contingent upon the merger agreement containing termination fees and other provisions substantially similar to those set forth in the Allied World Merger Agreement, and (ii) only three Transatlantic directors being elected to the Alleghany board of directors.

Later in the evening of November 18, 2011, the Strategy Committee of the Transatlantic board of directors met telephonically, along with representatives of Gibson Dunn, Goldman Sachs and Moelis. The Strategy Committee discussed the proposals received from each of Alleghany and Consortium B, as well as the Revised Validus Exchange Offer. The Strategy Committee discussed the desire to expeditiously conclude the strategic review process in light of the upcoming reinsurance renewal season. The Strategy Committee authorized Goldman Sachs and Moelis to contact representatives of Alleghany that evening to request an additional \$2.00 of cash consideration and the removal of the force the vote provision from the merger agreement. The Strategy Committee further authorized Goldman Sachs and Moelis to contact representatives of Consortium B to relay Transatlantic's concerns regarding the significant conditionality and significant insurance regulatory risks of Consortium B's proposal. Following this meeting, representatives of Goldman Sachs and Moelis contacted representatives of Alleghany to relay Transatlantic's request. Representatives of Goldman Sachs and Moelis also contacted representatives of Consortium B in order to relay Transatlantic's serious concerns with their proposal.

Also on November 18, 2011, in response to the lawsuit filed by Transatlantic earlier that day, a Validus representative electronically delivered to Transatlantic a request for a new record date in connection with Validus's proposed solicitation of written consents from Transatlantic stockholders. The request was accompanied by a new set of proposals, which sought, among other things, to remove five of Transatlantic's seven directors, and elect three Validus nominees to the Transatlantic board of directors.

Also during the evening of November 18, 2011, an article describing the terms of a possible proposal to acquire Transatlantic for a price in excess of \$60 per share appeared in the press.

On November 19, 2011, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. The Transatlantic board of directors invited a representative of Davis Advisors to join the meeting and provide Davis Advisors's views regarding the strategic alternatives available to Transatlantic. At this meeting, the representative of Davis Advisors conveyed Davis Advisors's support for a transaction between Transatlantic and Alleghany. Following the Davis Advisors representative's departure from the meeting, representatives of Gibson Dunn reviewed with the directors the applicable legal standards in connection with the matters being considered by the Transatlantic board of directors at the meeting and provided an overview of the proposals received from each of



---

**Table of Contents**

Validus, Alleghany and Consortium B. Representatives of Goldman Sachs and Moelis reviewed certain preliminary financial analyses of the proposal received from Alleghany. The directors discussed each of the strategic alternatives available to Transatlantic and the desire to expeditiously conclude the strategic review process. In discussing Consortium B's proposal, the Transatlantic board of directors considered (i) that Consortium B intended to run-off Transatlantic's existing business and to sell Transatlantic's renewal rights to Allied World, (ii) that it was uncertain as to whether Consortium B's proposal could obtain insurance regulatory approval on a timely basis, if at all, or whether the insurance regulators would place significant conditions on their approval, which could result in Consortium B not being able to consummate the transaction, (iii) their belief that no profitable and solvent insurance company of the size of Transatlantic has ever been put into run-off, making the likelihood of successful completion of the transaction uncertain, (iv) that Consortium B's proposal would not allow Transatlantic stockholders to participate in any profits realized by Consortium B from the transaction, (v) that Consortium B's proposal required both equity and debt financing and there were numerous conditions to receipt of that financing and such financing might not be obtained on a timely basis or at all, (vi) that the announcement of Consortium B's transaction could cause disruption among Transatlantic's customers and employees, thus potentially damaging Transatlantic's operations, which could significantly impair stockholder value if the transaction was not completed, (vii) that Consortium B's transaction would be taxable to Transatlantic stockholders, and (viii) that if Transatlantic entered into a transaction agreement with Consortium B on the terms proposed, but it was not completed, the maximum compensation that Transatlantic would receive under any circumstance would be \$175 million and in certain circumstances, Transatlantic might not receive any compensation, and in any event such payments might be insufficient to compensate Transatlantic for the harm to its business and operations. The directors then authorized Mr. Sapnar to contact Mr. Noonan to inform him that the Transatlantic board of directors would be meeting that weekend to review its strategic alternatives.

Following the meeting, representatives of Gibson Dunn attended a conference call with the legal advisors to Consortium B to discuss the debt commitment letter delivered to Transatlantic earlier that week and further expressed the Transatlantic board of directors' concerns regarding the conditionality of the proposal, including the conditionality of the debt commitment letter and the fact that Consortium B would be unable to complete the merger absent such debt financing.

In the afternoon of November 19, 2011, members of Transatlantic's management, including Messrs. Sapnar and Kenneth Apfel, Executive Vice President and Chief Actuary of Transatlantic, along with representatives of Goldman Sachs and Moelis, met with representatives of Alleghany, UBS and Morgan Stanley to discuss the terms of a possible transaction. At this meeting, Alleghany increased its proposal to 0.145 shares of Alleghany common stock and \$14.00 in cash per share of Transatlantic common stock, which had an aggregate value of \$59.57 per share based on the closing price of Alleghany common stock on November 18, 2011. Alleghany also conveyed to Transatlantic that if a merger agreement was not reached and announced by the morning of November 21, 2011, Alleghany would withdraw its proposal because it believed there could be substantial harm to the Transatlantic franchise from press speculation regarding a possible proposal to acquire Transatlantic and then run-off a substantial portion of its operations. Representatives of Transatlantic asked that Alleghany increase its proposal. After discussions with management and its financial advisors, representatives of Alleghany responded that Alleghany was unwilling to increase its price beyond the terms that had already been discussed. The representatives of Alleghany further indicated that a meeting of the Alleghany board of directors was to be held the following morning to approve the business combination on the terms currently being discussed, and expressed its desire that the Transatlantic board of directors would do the same. Thereafter, talks between the parties temporarily ceased.

Also on November 19, 2011, at the direction of the Transatlantic board of directors, Mr. Sapnar contacted Mr. Noonan and indicated that the Transatlantic board of directors would be meeting on the morning of November 20 to review strategic alternatives available to Transatlantic.

On the morning of November 20, 2011, Mr. Noonan orally communicated to Mr. Sapnar that Validus would be prepared to revise its offer to 1.5564 Validus shares plus \$14.00 in cash for each share of Transatlantic common stock, which had a market value of \$58.59 based on the closing price of Validus shares on November 18, 2011.

---

**Table of Contents**

Also on the morning of November 20, 2011, representatives of Alleghany communicated to representatives of Goldman Sachs a further increased proposal, comprised of 0.145 shares of Alleghany common stock and \$14.22 in cash for each share of Transatlantic common stock, which had an aggregate value of \$59.79 per share, based on the closing price of Alleghany common stock on November 18, 2011. The proposal further provided that Transatlantic would not be permitted to pay dividends (apart from the dividend previously declared in September) during the pendency of the merger. Following this communication, Mr. Press communicated with Mr. Hicks regarding the terms of Alleghany's proposal.

Later that morning, the Transatlantic board of directors met telephonically, along with members of Transatlantic's management and representatives of Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Representatives of Gibson Dunn reviewed the applicable legal standards in connection with the matters to be considered by the Transatlantic board of directors at the meeting. The directors received updates from Mr. Sapnar and representatives of Goldman Sachs and Moelis regarding the status of each of the strategic proposals. The directors authorized Mr. Sapnar, Goldman Sachs and Moelis to continue their discussions with each of the potential counterparties to a transaction, with a view to providing additional consideration to the Transatlantic stockholders and expeditiously concluding the strategic review process.

Later that morning, the Alleghany board of directors met, along with members of Alleghany's management and representatives of UBS, Morgan Stanley and Wachtell Lipton. The financial advisors updated the board as to the events that had taken place since the meeting of the board on the afternoon of November 18. Mr. Hicks indicated that the current proposal was for Alleghany to acquire Transatlantic for consideration consisting of 0.145 shares of Alleghany common stock and \$14.22 in cash for each share of common stock, an increase of \$1.02 from the proposal discussed on November 18. Mr. Hicks indicated that as part of this proposal, Transatlantic would not be permitted to declare or pay any future dividends during the pendency of the merger. Each of UBS and Morgan Stanley reviewed with the Alleghany board of directors their joint financial analysis relating to the merger and each subsequently delivered to the Alleghany board of directors a written opinion, dated November 20, 2011, to the effect that, as of that date and based on and subject to various assumptions, matters considered, qualifications and limitations described in their respective opinions, the merger consideration to be paid to Alleghany in the merger was fair, from a financial point of view, to Alleghany. Representatives of Wachtell Lipton discussed with the board of directors the legal standards applicable to its decisions and actions with respect to the proposed merger, and the duties of the board of directors in connection with the proposed transactions. Following these discussions, the Alleghany board of directors determined that the proposed transaction with Transatlantic was advisable to and in the best interests of Alleghany and its stockholders, and voted to approve the merger agreement.

In the afternoon of November 20, 2011, Mr. Noonan conveyed to a representative of Transatlantic that Validus would be prepared to offer 1.5564 Validus shares and \$15.50 in cash per Transatlantic share if the Transatlantic board were willing to accept Validus's offer, which had a value of \$60.09 based on the closing price of Validus voting common stock on Friday, November 18, 2011.

Also in the afternoon of November 20, 2011, Transatlantic again requested that Alleghany further increase its proposed consideration but Alleghany conveyed to Transatlantic that it would not be willing to do so beyond the increase agreed to earlier that morning.

On the evening of November 20, 2011, the Transatlantic board of directors met telephonically with members of Transatlantic's management, as well as representatives from Gibson Dunn, Richards Layton, Goldman Sachs and Moelis. Among other things, the Transatlantic board of directors reviewed and considered (i) the final proposal received from Alleghany pursuant to which the stockholders of Transatlantic would receive consideration consisting of 0.145 Alleghany common shares and \$14.22 in cash for each share of Transatlantic common stock, which had an aggregate value of \$59.79 per share, based on the closing price of Alleghany common stock on November 18, 2011, (ii) the revised Validus proposal of 1.5564 Validus shares and \$15.50 in cash for each share of Transatlantic common stock, which had an aggregate value of \$60.09 per share, based on

---

**Table of Contents**

the closing price of Validus voting common stock on November 18, 2011, (iii) the final run-off proposal received by Consortium B of \$61.50 in cash per share, and (iv) the possibility of remaining an independent company. Representatives of Gibson Dunn reviewed with the directors the applicable legal standards in connection with the matters to be considered by the Transatlantic board of directors at the meeting. Representatives of Gibson Dunn further described the terms of the draft merger agreement, including the mechanics of the cash and stock elections and proration, which had been negotiated with Alleghany.

The directors considered, among other things, the highly conditional nature of Consortium B's proposal and the insurance regulatory risks posed by the proposal, which created uncertainties about the likelihood of consummating a transaction, and the fact that Transatlantic stockholders would not share in any upside potential of the proposed transaction.

The directors also considered, among other things, that the terms of the Alleghany transaction had been fully negotiated and that further pursuing a transaction with Validus would likely have had an adverse effect on Alleghany's willingness to proceed with the proposed transaction. The directors and management also discussed the fact that a business combination with Validus would involve various business and execution risks, including (i) the continuing risk, and additional diligence that would be needed, regarding the capital management plan for a Validus-Transatlantic combined company, (ii) the potential negative impact on Transatlantic's ratings resulting from a transaction with Validus and, consequently, on Transatlantic's business, (iii) Validus's questionable ability to fully realize potential synergies and plans to return capital, (iv) that the terms of a transaction with Validus had not been finalized, and (v) the likelihood of receiving stockholder approval for the transaction. The directors also considered, among other things, (i) that Davis Advisors, Transatlantic's largest stockholder, had indicated that it supported the Alleghany proposal, (ii) that Transatlantic would be able to maintain its financial strength ratings in a transaction with Alleghany, and (iii) the matters described below under Transatlantic's Reasons for the Merger; Recommendations of the Transatlantic Board of Directors.

Representatives of Moelis then presented to the Transatlantic board of directors various financial analyses regarding the proposed merger with Alleghany, as further described below under Opinion of Transatlantic's Financial Advisor Moelis & Company LLC. In connection with the deliberation by the Transatlantic board of directors, Moelis delivered to the Transatlantic board of directors its oral opinion, which was subsequently confirmed by delivery of a written opinion dated November 20, 2011, to the effect that, as of such date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth in such written opinion, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of Transatlantic common stock. Representatives of Goldman Sachs then presented to the Transatlantic board of directors various financial analyses regarding the proposed merger with Alleghany, as further described below under Opinion of Transatlantic's Financial Advisor Goldman, Sachs & Co. In connection with the deliberation by the Transatlantic board of directors, Goldman Sachs delivered to the Transatlantic board of directors its oral opinion, which was subsequently confirmed by delivery of a written opinion dated November 20, 2011, that, as of such date and based upon and subject to the limitations and assumptions set forth in such written opinion, the merger consideration to be paid to the holders (other than Alleghany and its affiliates) of the outstanding shares of Transatlantic common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

Following these discussions, the Transatlantic board of directors unanimously determined that the proposed transaction with Alleghany was advisable to and in the best interests of Transatlantic and its stockholders, and voted unanimously to approve the merger agreement.

Following the board meetings on November 20, 2011, all agreements were finalized and the merger agreement was then executed by Transatlantic, Alleghany and Shoreline Merger Sub, LLC. On the morning of November 21, 2011, Transatlantic and Alleghany issued a joint press release announcing the merger.

On November 28, 2011, Validus announced that it was withdrawing the Revised Validus Exchange Offer.

## **Table of Contents**

On December 7, 2011, Validus delivered a letter to Transatlantic withdrawing its previous request for a record date in connection with its solicitation of written consents from Transatlantic's stockholders.

### **Alleghany's Reasons for the Merger; Recommendation of the Alleghany Board of Directors**

In reaching its decision to approve the merger agreement and recommend approval by Alleghany stockholders of the stock issuance proposal, the Alleghany board of directors consulted with Alleghany's management, as well as with Alleghany's legal and financial advisors, and also considered a number of factors that the Alleghany board of directors views as supporting its decision, including, but not limited to, the following:

the fact that the merger will create a company with a greater size and economies of scale, which should enable it to have incremental excess capital, greater capital flexibility, the ability to respond to competitive pressures and an increased opportunity to compete profitably;

the potential for the merger to create an industry leader in both U.S. excess and surplus lines and global specialty reinsurance;

the addition of a global reinsurance platform that is intended to provide Alleghany with access to a profitable new business segment;

that the transaction is accretive to Alleghany's September 30, 2011 book value per share (after adjusting for subsequent share repurchases prior to the transaction announcement) by approximately 7% and tangible book value per share by approximately 10%;

that the combined company's investments per share will increase materially;

that Transatlantic will be operated as an independent, standalone subsidiary of Alleghany, intended to minimize integration concerns;

that Alleghany will continue to have, after the merger, conservative financial leverage and will not need to issue any incremental debt in connection with the merger;

that the merger is expected to provide the flexibility to allocate capital to drive superior, risk-adjusted return opportunities in insurance, reinsurance, investments and capital management;

that the addition of Transatlantic is intended to create a more diversified pool of underwriting risk by product and geography and that Transatlantic and Alleghany have compatible underwriting disciplines;

that it is expected that Transatlantic will maintain its current financial strength ratings of A+ from Standard & Poor's and A from A.M. Best;

the addition of the strong and experienced management team from Transatlantic;

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

that reinsurance industry veteran Joseph P. Brandon, former chief executive of Berkshire Hathaway's General Re Corporation, will serve as President of AIHL, Executive Vice President of Alleghany and Chairman of Transatlantic's board of directors if the merger is completed;

the opinion of UBS rendered to the Alleghany board of directors to the effect that, as of the date such merger agreement was signed, based upon and subject to the factors and assumptions set forth in its written opinion, that the merger consideration to be paid by Alleghany in the merger was fair, from a financial point of view, to Alleghany; and

the opinion of Morgan Stanley rendered to the Alleghany board of directors to the effect that, as of the date such merger agreement was signed, based upon and subject to the factors and assumptions set forth in its written opinion, that the merger consideration to be paid by Alleghany in the merger was fair, from a financial point of view, to Alleghany.

In addition to the factors described above, the Alleghany board of directors also considered the following factors:

its knowledge of Alleghany's business, operations, financial condition, earnings and prospects and of Transatlantic's business, operations, financial condition, earnings and prospects, taking into account Alleghany's due diligence review of Transatlantic;

**Table of Contents**

the integration factors relating to similar cultures focused on underwriting discipline and risk management, the overlap in use of information systems, limited business overlap and the proven integration track record of Alleghany;

the fact that the amount of cash consideration to be issued in the merger is fixed and that the value of the merger consideration will fluctuate based on the market price of Alleghany's common stock;

the terms and conditions of the merger agreement and the likelihood of receiving the required stockholder and regulatory approvals and of completing the merger on the anticipated schedule;

the provisions in the merger agreement relating to termination of the merger agreement, payment of termination fees (and amounts thereof) and Transatlantic's agreement not to solicit alternative proposals and its obligation to hold a special meeting of its stockholders to vote on approval of the merger agreement regardless of whether the Transatlantic board of directors changes its recommendation FOR adoption of the merger agreement;

that stockholders holding approximately 18.65% of the outstanding shares of Alleghany common stock entered into agreements with Transatlantic to vote their shares in favor of the merger; and

that Davis Advisors, Transatlantic's largest stockholder, is supportive of the merger and is willing to make public statements to this effect.

The Alleghany board of directors weighed the foregoing against a number of potentially negative factors, including:

the risk that certain of Transatlantic's cedants may have the right, as a result of the merger, to cancel contracts on a cut-off or run-off basis (requiring the return of unearned premiums, net of commissions), and Transatlantic or Alleghany, as applicable, may be required to provide collateral to secure premium and reserve balances or may be required to cancel and commute a contract;

that the value of the merger consideration fluctuates with the price of Alleghany common stock and that poor performance of Alleghany common stock during the pendency of the merger could result in the value of the merger consideration being unattractive to Transatlantic stockholders;

that Validus had an outstanding exchange offer for shares of Transatlantic common stock and had an ongoing consent solicitation to, among other things, remove certain of Transatlantic's directors and nominate three new directors to the Transatlantic board;

the risk that Transatlantic's loss reserves may prove to be inadequate and reserve charges may be taken in the future;

the costs to be incurred in connection with the merger, including the costs of integrating the businesses of Alleghany and Transatlantic and the transaction expenses arising from the merger including payment of the termination fee owed to Allied World;

the risk that after completion of the merger, Alleghany, with increased policies and geographic coverage, will have a level of volatility higher than Alleghany as a standalone entity as a result of additional property catastrophe risk exposure;

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

the challenges inherent in combining the businesses, operations and workforces of the two companies, including the potential for the possible distraction of management attention for an extended period of time;

the risk that, despite the combined efforts of Alleghany and Transatlantic prior to consummation of the merger, that Transatlantic may lose key personnel;

the restrictions on the conduct of Alleghany's business during the period between execution of the merger agreement and the consummation of the merger, including the inability to pay dividends or repurchase shares of its common stock;

---

**Table of Contents**

the risk that governmental entities may oppose or refuse to approve the merger or impose conditions on Alleghany and/or Transatlantic prior to approving the merger;

the risk of not realizing the anticipated benefits of the merger; and

the risks of the type and nature described under the heading Risk Factors, and the matters described under the heading Special Note Regarding Forward-Looking Statements.

This discussion of the information and factors considered by the Alleghany board of directors includes the material positive and negative factors considered by the Alleghany board of directors, but is not intended to be exhaustive and may not include all of the factors considered by the Alleghany board of directors. The Alleghany board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that the stock issuance, the merger and the merger agreement and the other transactions contemplated by the merger agreement are advisable to and in the best interests of Alleghany and its stockholders. Rather, the Alleghany board of directors conducted an overall analysis of the factors described above, including thorough discussion with, and questioning of, members of Alleghany management and Alleghany's outside advisors, and considered the factors overall to be favorable to, and to support, its determination. In addition, individual members of the Alleghany board of directors may have given different weight to different factors. It should be noted that this explanation of the reasoning of the Alleghany board of directors and certain information presented in this section, is forward-looking in nature and, therefore, such information should be read in light of the Special Note Regarding Forward-Looking Statements.

**The Alleghany board of directors declared advisable the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance, and determined that the terms of the merger agreement and the transactions contemplated thereby, including the merger and the stock issuance are advisable and in the best interests of Alleghany and its stockholders. The Alleghany board of directors recommends that the Alleghany stockholders vote FOR the stock issuance proposal.**

**Opinions of Alleghany's Financial Advisors**

*Opinion of UBS Securities LLC*

In connection with the meeting of Alleghany's board of directors held to evaluate the proposed merger, UBS delivered to Alleghany's board of directors a written opinion, dated November 20, 2011, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described in its opinion, the merger consideration to be paid by Alleghany in the merger was fair, from a financial point of view, to Alleghany.

**The full text of UBS' opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. UBS' opinion is attached as Annex B and is incorporated into this joint proxy statement/prospectus by reference. Holders of Alleghany common stock are encouraged to read UBS' opinion carefully in its entirety. UBS' opinion was provided for the benefit of Alleghany's board of directors (in its capacity as such) in connection with, and for the purpose of, its evaluation of the merger consideration to be paid by Alleghany in the Transaction, and does not address any other aspect of the merger. UBS' opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to Alleghany or Alleghany's underlying business decision to effect the merger. UBS' opinion does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the merger. The following summary of UBS' opinion is qualified in its entirety by reference to the full text of UBS' opinion.**

In arriving at its opinion, UBS, among other things:

reviewed certain publicly available business and financial information relating to Alleghany and Transatlantic;



**Table of Contents**

reviewed certain internal financial information and other data relating to the business and financial prospects of Transatlantic that were provided to UBS by the managements of Transatlantic and Alleghany and not publicly available, including financial forecasts and estimates prepared by the management of Transatlantic as adjusted by the management of Alleghany that Alleghany's board of directors directed UBS to utilize for purposes of its analysis;

reviewed certain internal financial information and other data relating to the business and financial prospects of Alleghany that were provided to UBS by the management of Alleghany and not publicly available, including financial forecasts and estimates prepared by the management of Alleghany that Alleghany's board of directors directed UBS to utilize for purposes of its analysis;

reviewed certain third party analyses provided to UBS by the management of Alleghany (which we refer to collectively as the Third Party Analyses );

conducted discussions with members of the senior managements of Alleghany and Transatlantic concerning the business and financial prospects of Transatlantic;

conducted discussions with members of the senior management of Alleghany concerning the businesses and financial prospects of Alleghany;

reviewed publicly available financial and stock market data with respect to certain other companies UBS believed to be generally relevant;

compared the financial terms of the merger with the publicly available financial terms of certain other transactions UBS believed to be generally relevant;

reviewed current and historical market prices of Alleghany common stock and Transatlantic common stock;

considered certain pro forma effects of the merger on Alleghany's financial statements;

reviewed the merger agreement; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of Alleghany's board of directors, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of Alleghany's board of directors, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Alleghany or Transatlantic, and was not furnished with any such evaluation or appraisal, except that UBS was provided with copies of the Third Party Analyses. With respect to the financial forecasts, estimates, and pro forma effects referred to above, UBS assumed, at the direction of Alleghany's board of directors, that such forecasts, estimates and pro forma effects had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Alleghany as to the future financial performance of Transatlantic and Alleghany and such pro forma effects. UBS is not an actuary and, accordingly, its services did not include any actuarial determinations or evaluations by UBS or an attempt by UBS to evaluate actuarial assumptions and UBS was not requested to conduct, and did not conduct, a review of any individual production, underwriting or claim files of Transatlantic or Alleghany. UBS expressed no opinion as to any matters relating to the reserves of Transatlantic or Alleghany, including, without limitation, the adequacy of such reserves, and UBS was advised and therefore assumed, at the direction of Alleghany's board of directors, without independent verification, that such

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

reserves were appropriate. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

In addition, at the direction of Alleghany's board of directors, UBS was not asked to, and it did not, offer any opinion as to the terms, other than the merger consideration to the extent expressly specified in UBS' opinion, of the merger agreement or the form of the merger. In addition, UBS expressed no opinion as to the

---

**Table of Contents**

fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the consideration. UBS expressed no opinion as to what the value of Alleghany common stock would be when issued pursuant to the merger or the prices at which Alleghany common stock or Transatlantic common stock would trade at any time. In rendering its opinion, UBS assumed, with the consent of Alleghany's board of directors, that (i) the parties to the merger agreement would comply with all material terms of the merger agreement, and (ii) the merger would be consummated in accordance with the terms of the merger agreement without any adverse waiver or amendment of any material term or condition of the merger agreement. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on Alleghany, Transatlantic or the merger. Except as described above, Alleghany imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The issuance of UBS' opinion was approved by an authorized committee of UBS.

***Opinion of Morgan Stanley & Co.***

Alleghany engaged Morgan Stanley to act as its financial advisor in connection with the transaction. In connection with the meeting of the Alleghany board of directors on November 20, 2011, Morgan Stanley rendered its written opinion to the Alleghany board of directors to the effect that, as of November 20, 2011, based upon and subject to the various assumptions, matters considered, qualifications and limitations set forth in the opinion, the merger consideration to be paid by Alleghany pursuant to the merger agreement, was fair from a financial point of view, to Alleghany.

**The full text of the written opinion of Morgan Stanley, dated November 20, 2011, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and limitations, qualifications and conditions to the review undertaken by Morgan Stanley in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Alleghany shareholders are urged to read Morgan Stanley's opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the Alleghany board of directors and addresses only the fairness, from a financial point of view, of the merger consideration to be paid by Alleghany pursuant to the merger agreement, as of the date of the opinion. Morgan Stanley's opinion did not in any manner address the prices at which the Alleghany common stock will trade following consummation of the merger or at any time. Morgan Stanley's opinion does not constitute a recommendation as to how any stockholders of Alleghany or Transatlantic should vote at the stockholders' meetings held in connection with the merger or whether to take any other action with respect to the merger.**

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of Transatlantic and Alleghany, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Transatlantic and Alleghany, respectively;

reviewed certain financial projections prepared by the managements of Transatlantic and Alleghany, respectively;

reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the managements of Transatlantic and Alleghany, respectively;

discussed the past and current operations and financial condition and the prospects of Transatlantic with senior executives of Transatlantic;

discussed the past and current operations and financial condition and the prospects of Alleghany, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of Alleghany;



**Table of Contents**

reviewed the pro forma impact of the merger on Alleghany's book value per share, earnings per share, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for Transatlantic common stock and Alleghany common stock;

compared the financial performance of Transatlantic and Alleghany and the prices and trading activity of Transatlantic common stock and Alleghany common stock with that of certain other publicly-traded companies comparable with Transatlantic and Alleghany, respectively, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in certain discussions and negotiations among representatives of Transatlantic and Alleghany and their financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by Transatlantic and Alleghany, and formed a substantial basis for its opinion. With respect to the financial projections, including information from Alleghany relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Transatlantic and Alleghany of the future financial performance of Transatlantic and Alleghany. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization, pursuant to the Code. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley noted that it is not a legal, tax, regulatory or actuarial advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of Alleghany and Transatlantic and their legal, tax, regulatory or actuarial advisors with respect to legal, tax, regulatory or actuarial matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of Transatlantic's officers, directors or employees, or any class of such persons, relative to the consideration to be paid to the holders of shares of Transatlantic common stock in the transaction. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Transatlantic or Alleghany, nor was Morgan Stanley furnished with any such valuations or appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, November 20, 2011. Events occurring after November 20, 2011 may affect its opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

The Morgan Stanley opinion was approved and authorized for issuance by a fairness opinion review committee in accordance with its customary practice and was addressed to, and for the use and benefit of, the Alleghany board of directors in connection with and for the purposes of its evaluation of the merger and does not in any manner address the prices at which Alleghany common stock will trade following consummation of the merger or at any time and Morgan Stanley expresses no opinion or recommendation as to how the stockholders of Alleghany and Transatlantic should vote at the stockholders' meetings to be held in connection with the merger. The Morgan Stanley opinion was limited to the fairness, from a financial point of view to Alleghany, of the merger consideration to be paid by Alleghany pursuant to the merger agreement.

---

**Table of Contents*****Summary of Joint Financial Analyses***

In connection with rendering their respective opinions to Alleghany's board of directors, UBS and Morgan Stanley (which we refer to together as the Alleghany Financial Advisors) performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by the Alleghany Financial Advisors in connection with their respective opinions. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected companies analyses for each of Alleghany and Transatlantic and the selected transactions analysis summarized below, no company or transaction used as a comparison was identical to Alleghany, Transatlantic or the merger. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

The Alleghany Financial Advisors believe that their analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the Alleghany Financial Advisors' analyses and respective opinions. The Alleghany Financial Advisors did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of their respective opinions, but rather arrived at their ultimate respective opinions based on the results of all analyses undertaken by them and assessed as a whole.

The estimates of the future performance of Alleghany and Transatlantic provided by Alleghany or derived from public sources in or underlying the Alleghany Financial Advisors' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing their analyses, the Alleghany Financial Advisors considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of Alleghany, Transatlantic or the Alleghany Financial Advisors. Because such analyses are inherently subject to uncertainty, none of Transatlantic, Alleghany, the Alleghany Financial Advisors nor any other person assumes responsibility if future results or actual values are materially different from these forecasts or assumptions. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold or acquired.

The terms of the merger, including the composition of the merger consideration, were determined through arm's-length negotiation between Alleghany and Transatlantic and the decision by Alleghany to enter into the merger was solely that of Alleghany's board of directors, and was approved by the Alleghany board of directors. The Alleghany Financial Advisors' respective opinions and financial analyses were only one of many factors considered by Alleghany's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of Alleghany's board of directors or management with respect to the merger or the merger consideration. Representatives of each Alleghany Financial Advisor provided advice to Alleghany during these negotiations. The Alleghany Financial Advisors, however, did not recommend any specific consideration amount or offer structure to Alleghany or its board of directors or that any specific consideration amount constituted the only appropriate consideration for the merger.

The following is a brief summary of the material financial analyses performed by the Alleghany Financial Advisors in connection with their respective opinions relating to the proposed merger. **The financial analyses summarized below include information presented in tabular format. In order for the Alleghany Financial Advisors' financial analyses to be fully understood, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses nor does the order in which the analyses are described represent the relative importance or weight given to the analyses by the Alleghany Financial Advisors. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the Alleghany Financial Advisors' financial**

## **Table of Contents**

**analyses.** For purposes of the Transatlantic Financial Analyses described below, the term implied per share value of the merger consideration refers to the \$59.79 implied per share value of the merger consideration, based on the sum of the per share value of the cash portion of the merger consideration of \$14.22 and the implied per share value of the stock portion of the merger consideration of 0.145 of a share of Alleghany common stock, based on the closing price of Alleghany common stock on November 18, 2011. In addition, unless otherwise noted, the analyses described below are based on common shares outstanding as of November 18, 2011 for each of Transatlantic and Alleghany, and reflect share repurchases as of such date, as per each respective management, and, (i) exclude, for purposes of calculating aggregate equity value of Transatlantic, the value of 1.98 million restricted stock units of Transatlantic, or the RSUs, that will roll over in the merger, the fair market value of which has not yet been determined by Alleghany management, and (ii) include for purposes of calculating implied valuation multiples and per share values of Transatlantic, shares issuable pursuant to RSUs, as per Transatlantic management.

### **Transatlantic Financial Analyses**

#### *Selected Companies Analysis*

The Alleghany Financial Advisors compared selected financial and stock market data of Transatlantic with corresponding data of the following three publicly traded companies listed in the U.S. that are primarily focused on diversified reinsurance operations:

Everest Re Group, Ltd.

PartnerRe Ltd.

Platinum Underwriters Holdings, Ltd.

Additionally, the Alleghany Financial Advisors compared selected financial and stock market data of Transatlantic with corresponding data of the following eleven publicly traded companies listed in the United States that have significant property and casualty reinsurance operations and market capitalizations under \$10 billion:

XL Capital Ltd.

Arch Capital Group Ltd.

AXIS Capital Holdings Limited

RenaissanceRe Holdings Ltd.

Validus Holdings Ltd.

Allied World Assurance Company Holdings, Ltd.

Alterra Capital Holdings

Aspen Insurance Holdings Limited

Endurance Specialty Holdings Ltd.

Montpelier Re Holdings Ltd.

Flagstone Reinsurance Holdings Ltd.

The Alleghany Financial Advisors reviewed, among other things, the closing stock prices of the selected companies on November 18, 2011 as multiples of book value (which we refer to as P/BV ) and tangible book value (which we refer to as P/TBV ), in each case, as of the end of the most recent fiscal quarter for which financial information was publicly available as of November 18, 2011. The Alleghany Financial Advisors also reviewed closing stock prices of the selected companies on November 18, 2011 as multiples of calendar years 2012 and 2013 estimated earnings per share. The Alleghany Financial Advisors then compared these multiples derived for the selected companies with corresponding multiples implied for Transatlantic based both on the closing price of Transatlantic common stock on November 18, 2011 and the implied per share value of the merger consideration.



**Table of Contents**

Financial data for the selected companies were based on publicly available research analysts' consensus estimates, public filings and other publicly available information and, unless otherwise noted, balance sheet data were calculated using diluted shares outstanding. Estimated financial data for Transatlantic were based on forecasts and estimates prepared by the management of Transatlantic, as adjusted by the management of Alleghany, that the Alleghany board of directors directed the Alleghany Financial Advisors to utilize for purposes of their analyses. This analysis indicated the following implied median, mean, high and low multiples for the selected companies, as compared to corresponding multiples implied for Transatlantic:

	P/BV <sup>1</sup>	P/TBV <sup>1</sup>	Price to Earnings Per Share 2012E	2013E
<b>Reinsurance Companies</b>				
Median	0.76x	0.78x	7.4x	8.0x
Mean	0.74x	0.78x	7.6x	7.6x
High	0.77x	0.84x	8.1x	8.0x
Low	0.70x	0.70x	7.4x	6.7x
<b>Other Companies</b>				
Median	0.79x	0.82x	8.2x	7.8x
Mean	0.83x	0.86x	8.2x	8.1x
High	1.21x	1.23x	12.9x	12.7x
Low	0.61x	0.65x	5.5x	5.1x
Implied multiples for Transatlantic based on the closing stock price on November 18, 2011	0.79x	0.79x	9.1x	8.2x
Implied multiples for Transatlantic based on the implied per share value of the merger consideration	0.87x	0.87x	10.0x	9.1x

<sup>1</sup> Financial data for Everest Re Group Ltd., Arch Capital Group Ltd., and RenaissanceRe Holdings Ltd. were calculated using basic shares outstanding.

*Selected Transactions Analysis*

The Alleghany Financial Advisors reviewed transaction values in three selected transactions involving acquisitions announced since January 1, 2009 of companies primarily focused on property and casualty insurance, together with the proposed combination of Transatlantic and Allied World, which was subsequently terminated. The Alleghany Financial Advisors reviewed, among other things, implied equity values in the selected transactions as multiples of book value, tangible book value and, to the extent publicly available, estimated earnings for the twelve month period immediately following the most recent period for which financial information regarding the target company had been made available as of the announcement date of the applicable transaction (which we refer to as NTM P/E). The Alleghany Financial Advisors then compared these multiples derived for the selected transactions with corresponding multiples implied for Transatlantic based on the implied per share value of the merger consideration. Balance sheet multiples for the selected transactions, including the merger, were based on the most recent fiscal quarter end for which there was publicly available information for the target company at the time of announcement of the relevant transaction. Shares outstanding for each target company, other than for Transatlantic in the merger, were based on publicly available information as of the announcement date of the relevant transaction. Earnings multiples for the selected transactions, including the merger, were based on publicly available research analysts' consensus estimates, public filings and other publicly available information. This analysis indicated the following implied multiples for the selected transactions, as compared to corresponding multiples implied for the merger:

Announcement Date	Acquiror	Target	P/BV	P/TBV	NTM P/E
7/5/2009	PartnerRe	Paris Re	0.98x	1.08x	N/A
7/9/2009	Validus	IPC	0.84x	0.84x	6.8x
3/3/2010	Max Capital Group	Harbor Point	0.80x	0.93x	N/A
6/12/2011	Allied World	Transatlantic	0.79x	0.79x	8.5x
11/21/2011	Alleghany	Transatlantic	0.87x	0.87x	9.6x



## **Table of Contents**

### *Dividend Discount Analysis*

The Alleghany Financial Advisors performed a dividend discount analysis of Transatlantic using financial forecasts and estimates relating to Transatlantic prepared by the management of Transatlantic, as adjusted by the management of Alleghany, that Alleghany's board of directors directed the Alleghany Financial Advisors to use for purposes of their analyses. The Alleghany Financial Advisors calculated a range of implied present values (as of December 31, 2011) of (i) the stand alone dividends that Transatlantic was forecasted to have the capacity to distribute from January 1, 2012 through December 31, 2016 and (ii) terminal values for Transatlantic based on its calendar year end 2016 estimated book value. Implied terminal values were derived by applying to Transatlantic's calendar year end 2016 estimated book value a range of terminal P/BV multiples of 0.75x to 1.00x. Present values of dividends and terminal values were calculated using discount rates ranging from 8.0% to 10.0%. The dividend discount analysis resulted in a range of implied present values of approximately \$57.70 to \$76.50 per outstanding share of Transatlantic common stock, on a diluted basis, as compared to the implied per share merger consideration of \$59.79.

### **Alleghany Financial Analyses**

#### *Selected Companies Analysis*

The Alleghany Financial Advisors compared selected financial and stock market data of Alleghany with corresponding data of the following twelve publicly traded insurance companies with their principal listings in the U.S. and significant specialty commercial lines of U.S. insurance operations, either domiciled in the United States or with market capitalizations over \$10 billion, or U.S./large cap insurance companies:

Travelers Cos. Inc.

ACE Ltd.

Chubb Corp.

CNA Financial Corporation

W.R. Berkley Corporation

Cincinnati Financial Corp.

Markel Corporation

American Financial Group, Inc.

HCC Insurance Holdings, Inc.

RLI Corp.

Navigators Group, Inc.

SeaBright Insurance Holdings, Inc.

Additionally, the Alleghany Financial Advisors compared selected financial and stock market data of Alleghany with corresponding data of the following six publicly traded insurance companies listed in the United States, but not domiciled in the United States that have significant specialty commercial lines of U.S. insurance operations and market capitalizations under \$10 billion, or offshore insurance companies:

Arch Capital Group Ltd.

AXIS Capital Holdings Limited

White Mountains Insurance Group, Ltd.

Allied World Assurance Company Holdings, Ltd.

Endurance Specialty Holdings Ltd.

OneBeacon Insurance Group Ltd.

**Table of Contents**

The Alleghany Financial Advisors reviewed, among other things, the closing stock prices of the selected companies on November 18, 2011 as multiples of book value and tangible book value, in each case as of the end of the most recent fiscal quarter. The Alleghany Financial Advisors also reviewed the closing stock prices of the selected companies on November 18, 2011 as multiples of calendar years 2012 and 2013 estimated earnings per share. The Alleghany Financial Advisors then compared these multiples derived for the selected companies with corresponding multiples implied for Alleghany based on the closing price of Alleghany common stock on November 18, 2011. Financial data for the selected companies were based on publicly available research analysts' consensus estimates, public filings and other publicly available information and, unless otherwise noted, were calculated using basic shares outstanding. Estimated financial data for Alleghany were based on internal estimates of Alleghany's management and, in the case of tangible book value, fully converted shares outstanding. This analysis indicated the following implied median, mean, high and low multiples for the selected companies, as compared to corresponding multiples implied for Alleghany:

	P/BV <sup>1</sup>	P/TBV <sup>1</sup>	Price to Earnings Per Share	
			2012E	2013E
<b>U.S./Large Cap Insurance Companies</b>				
Median	0.94x	1.13x	12.1x	11.4x
Mean	0.96x	1.08x	14.8x	13.9x
High	1.75x	1.88x	27.9x	29.7x
Low	0.40x	0.40x	9.0x	9.1x
<b>Offshore Insurance Companies</b>				
Median	0.88x	0.91x	10.9x	11.4x
Mean	0.95x	0.98x	13.2x	15.5x
High	1.27x	1.27x	27.5x	35.3x
Low	0.72x	0.78x	7.6x	7.3x
Implied multiples for Alleghany based on the closing stock price on November 18, 2011	0.96x	1.02x	32.0x	28.0x

<sup>1</sup> Financial data for Allied World Assurance Company Holdings, Ltd., AXIS Capital Holdings Limited and Endurance Specialty Holdings Ltd. were calculated using diluted shares outstanding.

*Sum-of-the-Parts Analysis*

In light of the holding company nature of Alleghany's business, the Alleghany Financial Advisors also conducted a sum-of-the-parts analysis, which consisted of two methods for estimating a range of value for Alleghany's principal insurance subsidiaries: an implied trading value method and a dividend discount method.

Implied Trading Value Method

The Alleghany Financial Advisors applied the following ranges of multiples, based on a review of the public market price to book valuations of other publicly traded insurance companies with operations in certain respects comparable to the respective principal insurance subsidiaries, to the respective book values as of September 30, 2011 for Alleghany's principal insurance subsidiaries set forth below:

	P/BV	
	Sept. 30, 2011	
	Low	High
RSUI	1.10x	1.30x
CATA	0.80x	1.00x
PCC	0.50x	0.70x

This analysis produced a range of implied values for Alleghany's principal insurance subsidiaries of approximately \$1.9 billion to \$2.2 billion, which corresponded to a range of P/BV multiples, on an aggregated basis, of approximately 1.00x to 1.20x.



**Table of Contents****Dividend Discount Method**

The Alleghany Financial Advisors also performed a dividend discount analysis of Alleghany's principal insurance subsidiaries using financial forecasts and estimates prepared by the management of Alleghany that Alleghany's board of directors directed the Alleghany Financial Advisors to utilize for purposes of their analyses. The Alleghany Financial Advisors calculated a range of implied present values (as of December 31, 2011) of (i) the stand alone dividends that Alleghany's principal insurance subsidiaries were forecasted to be able to distribute from January 1, 2012 through December 31, 2014 and (ii) terminal values for Alleghany's principal insurance subsidiaries based on their aggregate calendar year end 2014 estimated book value. Implied terminal values were derived by applying to the aggregate calendar year end 2014 estimated book value of Alleghany's principal insurance subsidiaries a range of terminal P/BV multiples of 1.00x to 1.20x. Present values of dividends and terminal values were calculated using discount rates ranging from 8.0% to 10.0%. The dividend discount analysis resulted in a range of implied present values of Alleghany's principal insurance subsidiaries of approximately \$1.6 billion to \$2.0 billion, which corresponded to a range of P/BV multiples, on an aggregate basis, of approximately 0.88x to 1.08x.

The Alleghany Financial Advisors then estimated a range of implied per share values for Alleghany common stock, using the range of implied values for Alleghany's principal insurance subsidiaries and (i) adding Alleghany's other investments at book value as of September 30, 2011, and (ii) subtracting (a) the book value of outstanding debt of Alleghany as of September 30, 2011, and (b) the estimated present value of Alleghany's corporate expenses, estimated by applying to Alleghany's estimated tax-effected corporate administration expenses for the latest twelve month period for which financial information was publicly available as of November 18, 2011 estimated price/earnings multiples ranging from 8.0x to 10.0x.

These analyses resulted in a range of implied present values of Alleghany common stock ranging from approximately \$283 per share to \$356 per share, based on Alleghany's diluted shares outstanding using the treasury stock method as of November 18, 2011, as compared to the closing price of Alleghany common stock on such date of \$314.26.

***Pro Forma Analysis***

The Alleghany Financial Advisors reviewed the potential pro forma effect of the merger on Alleghany's book value and tangible book value as of September 30, 2011, as well as estimated book value and tangible book value as of the calendar year end for 2011 through 2013. Estimated financial data for Alleghany were based on internal estimates of Alleghany's management that Alleghany's board of directors directed the Alleghany Financial Advisors to use for purposes of their analyses. Based on the implied per share value of the merger consideration, this analysis indicated the following per share accretion:

	Sept. 30, 2011	2011E	FY Ended Dec. 31 2012E	2013E
Book value per share accretion	6.9%	7.0%	9.4%	13.0%
Tangible book value per share accretion	10.3%	10.3%	12.7%	16.4%

Actual results may vary from projected results and the variations may be material.

**Miscellaneous**

Under the terms of UBS' engagement, Alleghany agreed to pay UBS for its financial advisory services in connection with the merger an aggregate fee of \$15,000,000, \$4,000,000 of which was payable in connection with UBS' opinion and the remainder of which is contingent upon consummation of the merger. In addition, Alleghany agreed to reimburse UBS for certain of its reasonable out of pocket expenses, including fees, disbursements and other charges of its legal counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement. In the past, UBS

**Table of Contents**

and its affiliates have provided investment banking services to Alleghany and Transatlantic unrelated to the proposed merger, and for certain of such services UBS and its affiliates received compensation, including having acted as a co-manager on Alleghany's \$300,000,000 issuance of debt securities in 2010. In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Alleghany and Transatlantic and, accordingly, may at any time hold a long or short position in such securities. Alleghany selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions and because of UBS' familiarity with Alleghany, Transatlantic and their respective businesses. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

Pursuant to the engagement letter between Alleghany and Morgan Stanley, Alleghany paid Morgan Stanley a fee of \$3,000,000 upon Alleghany's execution of the merger agreement and, in the event the merger is completed, Alleghany has agreed to pay an additional fee of \$7,000,000 payable at the time of closing. Alleghany has also agreed to reimburse Morgan Stanley for reasonable fees and disbursements of Morgan Stanley's counsel and Morgan Stanley's reasonable travel and certain other out of pocket expenses incurred in connection with the merger or otherwise arising out of the retention of Morgan Stanley. Alleghany has also agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of Morgan Stanley's engagement. Alleghany selected Morgan Stanley as its financial advisor in connection with the merger based on Morgan Stanley's qualifications, expertise, reputation and experience in mergers and acquisitions. Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management business. Morgan Stanley's securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may from time to time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans to Transatlantic, Alleghany or any other company, or any currency or commodity, that may be involved in this transaction, or any related derivative instrument.

**Certain Alleghany Prospective Financial Information**

Alleghany does not, as a matter of course, make public long-term forecasts as to future performance or other prospective financial information beyond the current fiscal year, and Alleghany is especially wary of making forecasts or projections for extended periods due to the unpredictability of the underlying assumptions and estimates. However, as part of the due diligence review of Alleghany in connection with the merger, Alleghany's management prepared and provided to Transatlantic, as well as to Goldman Sachs, Moelis, UBS and Morgan Stanley (with respect to UBS and Morgan Stanley only, as adjusted as described below), in connection with their respective evaluations of the fairness of the merger consideration, certain non-public, internal financial forecasts regarding Alleghany's projected future operations for fiscal years 2011 through 2014. Alleghany has included below a summary of these forecasts for the purpose of providing stockholders and investors access to certain non-public information that was furnished to third parties and such information may not be appropriate for other purposes. These forecasts were also considered by the Transatlantic board of directors for purposes of evaluating the merger.

These internal financial forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, GAAP, SAP, IFRS or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentations of financial forecasts. The prospective financial information included in this joint proxy statement/prospectus has been prepared by, and is the responsibility of, Alleghany's management. KPMG LLP, Alleghany's independent auditor, has neither examined, compiled nor performed any procedures with respect to



## Table of Contents

the accompanying prospective financial information and, accordingly, KPMG LLP does not express an opinion or any other form of assurance with respect thereto. The KPMG LLP report incorporated by reference in this joint proxy statement/prospectus relates to Alleghany's historical financial information. It does not extend to the prospective financial information and should not be read to do so. The summary of these internal financial forecasts included below is not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but instead because these internal financial forecasts were provided by Alleghany to Transatlantic, Goldman Sachs, Moelis, UBS and Morgan Stanley (with respect to UBS and Morgan Stanley only, as adjusted as described below).

While presented with numeric specificity, these internal financial forecasts were based on numerous variables and assumptions (including, but not limited to, those related to industry performance and competition and general business, economic, market and financial conditions and additional matters specific to Alleghany's businesses) that are inherently subjective and uncertain and are beyond the control of Alleghany's management. Important factors that may affect actual results and cause these internal financial forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to Alleghany's business (including its ability to achieve strategic goals, objectives and targets over applicable periods), industry performance, general business and economic conditions, the occurrence of unpredictable catastrophe events and other factors described in the sections entitled "Special Note Regarding Forward-Looking Statements" and "Risk Factors." These internal financial forecasts also reflect numerous variables, expectations and assumptions available at the time they were prepared as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in these internal financial forecasts. Accordingly, there can be no assurance that the forecasted results summarized below will be realized.

The inclusion of a summary of these internal financial forecasts in this joint proxy statement/prospectus should not be regarded as an indication that any of Alleghany, Transatlantic or their respective affiliates, advisors or representatives considered these internal financial forecasts to be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in these internal financial forecasts be considered appropriate for other purposes. None of Alleghany, Transatlantic or their respective affiliates, advisors, officers, directors, partners or representatives can give you any assurance that actual results will not differ materially from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these internal financial forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Since the forecasts cover multiple years, such information by its nature becomes less meaningful and accurate with each successive year.

None of Alleghany, or its affiliates, advisors, officers, directors or representatives has made or makes any representation to any stockholder, investor, Transatlantic or any other person, in the merger agreement or otherwise, concerning these internal financial forecasts or regarding Alleghany's ultimate performance compared to the information contained in these internal financial forecasts or that the forecasted results will be achieved. The below forecasts do not give effect to the merger. Alleghany urges all stockholders to review Alleghany's most recent SEC filings for a description of Alleghany's reported financial results.

Subject to the foregoing qualifications, the net premiums written, net income, combined ratio and stockholders' equity reflected below by fiscal year through the year 2014 were prepared by, or as directed by, Alleghany's management and were delivered to Transatlantic, Goldman Sachs, Moelis, UBS and Morgan Stanley (with respect to UBS and Morgan Stanley only, as adjusted as described below).

**Table of Contents**

Fiscal year ending December 31 (\$ in millions):

	2011E	2012E	2013E	2014E
Net premiums written	\$ 770	\$ 824	\$ 916	\$ 1,030
Net income	\$ 127	\$ 84	\$ 96	\$ 117
Combined ratio	91.2%	94.1%	92.0%	91.1%
Stockholders' equity(1)	\$ 2,899	\$ 3,029	\$ 3,174	\$ 3,342

(1) Adjusted for 0.147mm (\$43.9mm) shares repurchased through November 18, 2011. Alleghany management also provided to UBS and Morgan Stanley an adjusted set of prospective financial information which reflected a reduction of \$9.5 million to net income for the quarter ending December 31, 2011 resulting from tax-related adjustments in respect of such quarter. Other than for such adjustment and its impact on subsequent periods, the prospective financial information provided to UBS and Morgan Stanley was identical to that delivered to Transatlantic, Goldman Sachs and Moelis.

In performing their analyses (which analyses were considered by the Alleghany board of directors for purposes of evaluating the merger), the Alleghany Financial Advisors used non-public, internal financial forecasts regarding Transatlantic's projected future operations for fiscal years 2011 through 2016 as described in Certain Transatlantic Prospective Financial Information, as such information was adjusted by Alleghany management. The net premiums written, net income, loss ratio, combined ratio and stockholders' equity reflected below by fiscal year through the year 2016 for Transatlantic, as received from Transatlantic and adjusted by Alleghany, as described below and provided by Alleghany to the Alleghany Financial Advisors are as follows:

Fiscal year ending December 31 (\$ in millions):

	2011E	2012E	2013E	2014E	2015E	2016E
Net premiums written	\$ 3,883	\$ 3,501	\$ 3,740	\$ 4,044	\$ 4,273	\$ 4,449
Net income	\$ 59	\$ 344	\$ 379	\$ 426	\$ 431	\$ 444
Loss Ratio	80.9%	67.5%	65.2%	64.0%	64.5%	64.6%
Combined ratio	109.3%	96.5%	94.2%	92.5%	92.5%	92.6%
Stockholders' equity	\$ 4,073	\$ 4,163	\$ 4,305	\$ 4,502	\$ 4,713	\$ 4,947

Alleghany management informed the Alleghany Financial Advisors that it adjusted the prospective financial information prepared by Transatlantic and provided to Alleghany as described in Certain Transatlantic Prospective Financial Information based on its due diligence investigation of Transatlantic to use more conservative assumptions. The adjustments were to (i) use a higher loss ratio, which increased losses and loss adjustment expenses; (ii) use a lower investment yield, which reduced investment income; and (iii) reduce taxes to reflect the lower taxable income resulting from the adjustments made pursuant to (i) and (ii).

**Transatlantic's Reasons for the Merger; Recommendation of the Transatlantic Board of Directors**

In approving the merger agreement and recommending its adoption by Transatlantic stockholders, Transatlantic's board of directors considered a number of factors and a substantial amount of information presented by and reviewed and discussed with Transatlantic's management and legal and financial advisors, and considered numerous factors, including the following:

the review of strategic alternatives conducted by the Transatlantic board of directors and the board of directors' belief, following such review, that the merger would provide greater value to Transatlantic stockholders than other potential strategic alternatives available to Transatlantic (including other recent proposals to acquire Transatlantic and the continued operation of Transatlantic as an independent standalone company) based on, among other things, the fact that the combined Alleghany-Transatlantic company would have meaningful excess capital and financial flexibility, a strong cultural fit focused



**Table of Contents**

on disciplined underwriting, limited integration risk, and the fact that Transatlantic would maintain its strong franchise and financial strength ratings, which the Transatlantic board of directors believed would enhance the value of the Alleghany common stock to be received in the transaction;

the belief of the Transatlantic board of directors and management that the merger has the potential to create a leading, diversified, specialty-focused insurance and reinsurance franchise with over 60% of the combined premiums derived from specialty insurance and reinsurance;

the fact Transatlantic's largest stockholder, Davis Advisors, expressed support for the merger between Transatlantic and Alleghany during its discussion with the Transatlantic board of directors on November 19, 2011;

the belief of the Transatlantic board of directors and management that the combined company would have a strengthened balance sheet with estimated \$7.2 billion of total capital;

the belief of the Transatlantic board of directors and management that the combined company would have meaningful excess capital and flexibility to allocate capital to the highest risk-adjusted return opportunities, including insurance, reinsurance, investments and capital management;

confirmation from the ratings agencies that Transatlantic would be able to maintain its current financial strength ratings as a subsidiary of Alleghany, especially at S&P, which the Transatlantic board of directors believes is a significant asset to Transatlantic's international business;

the belief of the Transatlantic board of directors and management that the combination would diversify underwriting risk, which should allow the combined company to weather cyclical conditions, reduce volatility of earnings and cash flows, and deliver more stable results under a wider range of market conditions and economic environments while creating a foundation for future growth, based upon, among other things, the fact that the combined company would have both a significant insurance and reinsurance business, and would have greater diversification with respect to (i) premiums and reserves by lines of business, (ii) risk class and (iii) geography;

the belief of the Transatlantic board of directors and management that property catastrophe exposure of the combined company would remain below Transatlantic's stated tolerances, allowing for future growth;

the fact that Transatlantic stockholders would have the right to elect to receive the merger consideration either in cash or shares of Alleghany common stock, subject to proration;

the financial terms of the merger, including the fact that, based on the closing price on the NYSE of Alleghany common stock on November 18, 2011 (the last trading day prior to the execution and announcement of the merger agreement), the merger consideration as of November 20, 2011 represented an approximate 36% premium over the closing price of Transatlantic common stock on the NYSE as of June 10, 2011 (the last trading day before public announcement of the since-terminated Allied World Merger Agreement);

the fact that Transatlantic stockholders immediately prior to the merger would hold approximately 49% of the voting power of the combined company immediately following completion of the merger, thus providing Transatlantic stockholders with meaningful participation in the upside potential of the combined company;

the view of the Transatlantic board of directors that there will be limited integration risk due to the similar cultures of Transatlantic and Alleghany with respect to underwriting discipline, lack of business overlap and the fact that Transatlantic would operate as a semi-autonomous subsidiary of Alleghany;

the governance provisions reflected in the merger agreement, including Alleghany's agreement that:

the combined company's board of directors would be comprised of 14 members, three of which would be designated by Transatlantic;

**Table of Contents**

Mr. Orlich would become a senior advisor to Transatlantic and would remain on the board of directors of Transatlantic; and

Mr. Sapnar would be appointed as the President and Chief Executive Officer of Transatlantic as a subsidiary of Alleghany; as the Transatlantic board of directors believes that these governance provisions will facilitate business continuity and the integration of the operations of the combined company;

the fact that Mr. Brandon, who has substantial experience in managing the largest U.S.-based property and casualty reinsurer, General Reinsurance Corporation, would become President of Alleghany Insurance Holdings LLC and would oversee Alleghany's insurance and reinsurance operations;

the expected treatment of the merger as a reorganization for U.S. federal income tax purposes;

the expectation of the Transatlantic board of directors that the integration of the two companies will be completed in a timely and efficient manner with minimal disruption to customers and employees;

the Transatlantic board of directors' knowledge of Transatlantic's business, financial condition, results of operations and prospects as a standalone company;

the Transatlantic board of directors' knowledge of Alleghany's business, financial condition, results of operations and prospects, taking into account the results of Transatlantic's due diligence review of Alleghany;

the fact that the merger agreement allows the Transatlantic board of directors to change or withdraw its recommendation regarding the merger agreement if a superior proposal is received from a third party or in response to certain material developments or changes in circumstances, if in either case the Transatlantic board of directors determines that a failure to change its recommendation would result in a breach of its fiduciary duties under applicable law, subject to the payment of a termination fee upon termination under certain circumstances;

the Transatlantic board of directors' belief, after consultation with its internal and outside legal counsel, that the transactions are likely to receive necessary regulatory approvals in a relatively timely manner without material adverse conditions, which increases the likelihood the transactions will be consummated; and

the financial analyses presented by Moelis to the Transatlantic board of directors described below under "Opinion of Transatlantic's Financial Advisor Moelis & Company LLC" and the opinion of Moelis, delivered orally at the Transatlantic board of directors' meeting on November 20, 2011, and subsequently confirmed in writing by delivery of a written opinion dated the same date, to the effect that, as of that date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth in such written opinion, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of Transatlantic common stock, and the financial analyses presented by Goldman Sachs to the Transatlantic board of directors described below under "Opinion of Transatlantic's Financial Advisor Goldman, Sachs & Co." and the opinion of Goldman Sachs, delivered orally at the Transatlantic board of directors' meeting on November 20, 2011, and subsequently confirmed in writing by delivery of a written opinion dated the same date, that, as of that date and based upon and subject to the limitations and assumptions set forth in such written opinion, the merger consideration to be paid to holders (other than Alleghany and its affiliates) of the outstanding shares of Transatlantic common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The Transatlantic board of directors also considered a number of risks and other factors identified in its deliberations as weighing negatively against the merger, including the following:

the restrictions on the conduct of Transatlantic's business during the period between execution of the merger agreement and the consummation of the merger;

**Table of Contents**

the substantial costs to be incurred in connection with the merger, including the remaining portion of the termination fee which became payable to Allied World pursuant to the Termination Agreement upon execution of the merger agreement, as well as the transaction expenses arising from the merger;

the fact that forecasts of future results of operations are necessarily estimates based on assumptions;

the fact that the cash portion of the consideration in the transaction would be taxable to Transatlantic's stockholders that are U.S. holders for U.S. federal income tax purposes;

the risk that governmental entities may not approve the merger or may impose conditions on Transatlantic or Alleghany in order to gain approval for the merger that may adversely impact the combined company;

the possibility that the merger may not be completed, or that completion may be unduly delayed, for reasons beyond the control of Transatlantic and/or Alleghany;

the potential that the termination fee and other provisions of the merger agreement could have the effect of discouraging a bona fide alternative acquisition proposal for Transatlantic;

the merger agreement's requirement that the Transatlantic board of directors call and hold a meeting of Transatlantic stockholders to vote upon the merger, regardless of whether or not the Transatlantic board of directors has withdrawn or adversely modified its recommendation to the Transatlantic stockholders regarding the merger in response to a superior proposal or certain material developments or changes in circumstances;

the challenges of combining Transatlantic with Alleghany, including technical, accounting and other challenges, and the risk of diverting management resources for an extended period of time to accomplish this combination;

the potential that the loss of key personnel could delay or prevent the combined entity from fully implementing its business strategy and, consequently, significantly and negatively affect its business;

the risks described in the section entitled "Risk Factors" and "Special Note Regarding Forward-Looking Statements"; and

the fact that Transatlantic's directors and executive officers have interests in the merger that may be different from, or in addition to, those of Transatlantic stockholders. See "Interests of Transatlantic's Directors and Executive Officers in the Merger."

This discussion of the information and factors considered by the Transatlantic board of directors in reaching its conclusions and recommendation includes the material factors considered by the Transatlantic board of directors, but is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Transatlantic board of directors did not find it practicable, and did not attempt, to quantify, rank or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger agreement and to recommend that Transatlantic stockholders vote in favor of the adoption of the merger agreement. The Transatlantic board of directors conducted an overall analysis of the factors described above, including through discussions with, and questioning of, Transatlantic's management and outside legal and financial advisors regarding certain of the matters described above. In considering the factors described above, individual members of the Transatlantic board of directors may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the Transatlantic board of directors and certain information presented in this section, is forward-looking in nature and, therefore, that information should be read in light of the "Special Note Regarding Forward-Looking Statements."



**The Transatlantic board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Transatlantic and its stockholders. The Transatlantic board of directors unanimously recommends that Transatlantic stockholders vote FOR the adoption of the merger agreement.**

---

**Table of Contents**

**Opinion of Transatlantic's Financial Advisor Goldman, Sachs & Co.**

Goldman Sachs delivered its opinion to the Transatlantic board of directors that, as of November 20, 2011 and based upon and subject to the limitations and assumptions set forth therein, the merger consideration to be paid to the holders (other than Alleghany and its affiliates) of the outstanding shares of Transatlantic common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The merger consideration is subject to certain procedures and limitations contained in the merger agreement, as to which procedures and limitations Goldman Sachs expressed no opinion.

**The full text of the written opinion of Goldman Sachs, dated as of November 20, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex D. Goldman Sachs provided its opinion for the information and assistance of the Transatlantic board of directors in connection with its consideration of the merger and such opinion does not constitute a recommendation as to how any holder of shares of Transatlantic common stock should vote or make any election with respect to the merger or any other matter.**

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and Annual Reports on Form 10-K of Transatlantic and Alleghany for the five years ended December 31, 2010;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Transatlantic and Alleghany;

certain other communications from Transatlantic and Alleghany to their respective stockholders;

certain publicly available research analyst reports for Transatlantic and Alleghany;

certain internal financial analyses and forecasts for Transatlantic prepared by its management, as approved for Goldman Sachs use by Transatlantic (which we refer to as the Transatlantic Forecasts ), certain internal financial analyses and forecasts for Alleghany prepared by its management, as approved for Goldman Sachs use by Transatlantic (which we refer to as the Alleghany Forecasts ), and certain cost savings and operating synergies projected by the management of Transatlantic to result from the merger, as approved for Goldman Sachs use by Transatlantic (which we refer to as the Synergies ).

Goldman Sachs also held discussions with members of the senior managements of Transatlantic and Alleghany regarding their assessment of the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of their respective companies. In addition, Goldman Sachs reviewed the reported price and trading activity for the shares of Transatlantic common stock and for the shares of Alleghany common stock, compared certain financial and stock market information for Transatlantic and Alleghany with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the property / casualty reinsurance industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, Goldman Sachs. In that regard, Goldman Sachs assumed with Transatlantic's consent that the Transatlantic Forecasts, the Alleghany Forecasts and the Synergies have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Transatlantic. In addition, Goldman Sachs did not make



---

**Table of Contents**

an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of Transatlantic or Alleghany or any of their respective subsidiaries and Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs are not actuaries and its services did not include any actuarial determination or evaluation by Goldman Sachs or any attempt to evaluate actuarial assumptions and Goldman Sachs has relied on Transatlantic's actuaries with respect to reserve adequacy. In that regard, Goldman Sachs has made no analysis of, and expresses no opinion as to, the adequacy of the loss and loss adjustments expenses reserves of Transatlantic and Alleghany. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Transatlantic or Alleghany or on the expected benefits of the merger in any way meaningful to Goldman Sachs' analysis. Goldman Sachs also assumed that the merger will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to Goldman Sachs' analysis. Goldman Sachs' opinion did not address the underlying business decision of Transatlantic to engage in the merger, or the relative merits of the merger as compared to any strategic alternatives that may be available to Transatlantic, nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs was aware that Transatlantic had received two other bids to acquire Transatlantic and that Transatlantic chose not to pursue such bids in light of Transatlantic's view of various uncertainties, contingencies and risks, among other considerations, related to such bids. Goldman Sachs' opinion addresses only the fairness from a financial point of view, as of the date of the opinion, of the merger consideration to be paid to the holders (other than Alleghany and its affiliates) of shares of Transatlantic common stock pursuant to the merger agreement. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or merger or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the merger, including, without limitation, the fairness of the merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of Transatlantic, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Transatlantic, or class of such persons, in connection with the merger, whether relative to the merger consideration to be paid to holders (other than Alleghany and its affiliates) of shares of Transatlantic common stock pursuant to the merger agreement or otherwise. Goldman Sachs did not express any opinion as to the prices at which shares of Alleghany common stock will trade at any time or as to the impact of the merger on the solvency or viability of Transatlantic or Alleghany or the ability

of Transatlantic or Alleghany to pay their respective obligations when they come due. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, the date of the opinion and Goldman Sachs assumes no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs' advisory services and opinion were provided for the information and assistance of the board of directors of Transatlantic in connection with its consideration of the merger and such opinion does not constitute a recommendation as to how any holder of Transatlantic common stock should vote or make any election with respect to such merger or any other matter. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to Transatlantic's board of directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before November 18, 2011, the last trading day before Goldman Sachs delivered its financial analysis to the Transatlantic board of directors, and is not necessarily indicative of current market conditions.

---

**Table of Contents**

***Implied Transaction Premium Analysis.*** Based on the consideration of 0.1450 of shares of Alleghany common stock and \$14.22 in cash to be paid in respect of each share of Transatlantic common stock pursuant to the merger agreement, Goldman Sachs calculated that the consideration to be paid for each share of common stock of Transatlantic would have an implied value of \$59.79, based upon the \$314.26 closing market price of the Alleghany common stock on November 18, 2011.

Goldman Sachs analyzed the \$59.79 implied per share consideration in relation to the closing price of shares of Transatlantic common stock on November 18, 2011, the undisturbed price of shares of Transatlantic common stock as of June 10, 2011, the implied undisturbed price of shares of Transatlantic common stock as of June 10, 2011 based on a price to book value per basic share ratio (which we refer to as P/BVPS) of 0.68x, the volume weighted average price (which we refer to as VWAP) of the shares of Transatlantic common stock during the 90-day and 180-day periods ended June 10, 2011, and the high price of shares of Transatlantic common stock for the 52-week period ended June 10, 2011.

The analysis indicated that the \$59.79 implied per share consideration to be paid to the holders of Transatlantic common stock pursuant to the merger agreement represented:

a premium of 9.8% based on the closing market price of \$54.43 per share on November 18, 2011;

a premium of 35.9% based on the undisturbed price of \$44.01 per share as of June 10, 2011;

a premium of 26.1% based on the implied undisturbed price of \$47.40 per share based on a P/BVPS ratio of 0.68x as of June 10, 2011;

a premium of 26.0% based on the 90-day VWAP of \$47.46 per share as of June 10, 2011;

a premium of 22.1% based on the 180-day VWAP of \$48.97 per share as of June 10, 2011;

a premium of 10.7% based on the 52-week high price of \$54.00 per share as of June 10, 2011.

***Selected Transactions Premium Analysis.*** Goldman Sachs reviewed and compared the implied premiums paid in the following transactions since 2001 involving the sale of U.S.-based public targets in the insurance industry for stock or stock and cash consideration and involving aggregate consideration greater than \$500 million:

Validus's acquisition of IPC Holdings, Ltd. announced in July 2009;

Lincoln National Corporation's acquisition of Jefferson-Pilot Corporation announced in October 2005;

Travelers Property Casualty Corp.'s acquisition of The St. Paul Companies, Inc. announced in November 2003;

Manulife Financial Corporation's acquisition of John Hancock Financial Services, Inc. announced in September 2003.

Based on underlying information obtained from SEC filings, Bloomberg and the Institutional Brokers Estimate System (which we refer to as IBES), with respect to each selected transaction, Goldman Sachs calculated the premiums of the purchase prices to the undisturbed closing market prices of the target's common stock prior to the announcement of the transaction, the VWAP of the target's shares during the latest undisturbed 90-day and 180-day periods prior to the announcement, and the high price of shares of the target during the latest undisturbed

52-week period prior to the announcement.

The following presents the results of the analysis:

The median premium to undisturbed closing market price prior to announcement was 7.9%;

The median premium to the latest undisturbed 90-day VWAP was 10.2%;

The median premium to the latest undisturbed 180-day VWAP was 11.7%;

The median premium to the undisturbed 52-week high price was (0.9%).

**Table of Contents**

**Selected Transactions Analysis.** Goldman Sachs analyzed certain financial information relating to the merger and the selected transactions referenced above in *Selected Transactions Premium Analysis*. For the merger and each of the selected transactions, Goldman Sachs calculated the multiples of the implied consideration of \$59.79 to estimated next fiscal year earnings per share (which we refer to as *FY1 EPS*), the implied consideration of \$59.79 to per basic share book value including accumulated other comprehensive income (which we refer to as *AOCI*) as of September 30, 2011 and the implied consideration to per basic share tangible book value (including *AOCI*) as of September 30, 2011, based on information obtained from SEC filings, Bloomberg, SNL Financial, IBES and, with respect to the merger, the Transatlantic Forecasts. While none of the selected transactions are directly comparable to the merger, the companies that participated in the selected transactions were publicly traded insurance companies at the time of the transaction.

The following table presents the results of this analysis:

	Transatlantic	Transatlantic	Selected Companies		
	(\$59.79 / Forecast)	(\$59.79 / IBES)	Minimum	Median	Maximum
<b>FY1 EPS</b>	7.6x	9.6x	4.6x	16.9x	22.1x
<b>P/BVPS</b>	0.86x	0.86x	0.89x	1.38x	1.92x
<b>P/TBVS</b>	0.86x	0.86x	0.89x	1.63x	2.21x

**Selected Companies Analysis Transatlantic.** Goldman Sachs reviewed and compared certain financial information, ratios and public market multiples for Transatlantic to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the insurance industry:

ACE Limited

XL Group plc

Arch Capital Group Ltd.

Everest Re Group, Ltd.

PartnerRe Ltd.

AXIS Capital Holdings Limited

RenaissanceRe Holdings Ltd.

Alterra Capital Holdings Limited

Allied World Assurance Company Holdings, AG

Aspen Insurance Holdings Limited

Endurance Specialty Holdings Ltd.

Platinum Underwriters Holdings, Ltd.

Montpelier Re Holdings Ltd.

Flagstone Reinsurance Holdings, S.A.

Although none of the selected companies is directly comparable to Transatlantic, the companies included were chosen because they are publicly traded companies with operations that, for purposes of analysis, may be considered similar to certain operations of Transatlantic.

The multiples and ratios of the selected companies were based on the closing prices of their respective common shares on November 18, 2011 and financial data obtained from SEC filings, SNL Financial, Bloomberg and IBES as of November 18, 2011. The multiples and ratios for Transatlantic were based on the closing price of Transatlantic common stock on June 10, 2011, the implied consideration of \$59.79, and financial data obtained from SEC filings, SNL Financial, IBES and the Transatlantic Forecasts.



**Table of Contents**

With respect to each of the selected companies and Transatlantic, Goldman Sachs calculated, among other things:

price as a multiple of estimated 2012 earnings per share;

price as a multiple of per basic share book value (including AOCI) as of September 30, 2011; and

price as a multiple of per basic share tangible book value (including AOCI).

The results of these analyses are summarized as follows:

	Transatlantic	Transatlantic	Transatlantic	Selected Companies		
	(6-10-11 / IBES)	(\$59.79 / Forecast)	(\$59.79 / IBES)	Minimum	Median	Maximum
<b>2012E P/E</b>	7.3x	7.6x	9.6x	5.5x	8.1x	12.9x
<b>P/BV (incl. AOCI)</b>	0.68x	0.86x	0.86x	0.60x	0.76x	1.21x
<b>P/TBV(incl. AOCI)</b>	0.68x	0.86x	0.86x	0.63x	0.80x	1.21x

**Selected Companies Analysis Alleghany.** Goldman Sachs also reviewed and compared certain financial information, ratios and public market multiples for Alleghany to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the insurance industry:

Allied World Assurance Company Holdings, AG

Arch Capital Group Ltd.

AXIS Capital Holdings Limited

Endurance Specialty Holdings Ltd.

Markel Corporation

W.R. Berkley Corporation

Although none of the selected companies is directly comparable to Alleghany, the companies included were chosen because they are publicly traded companies with operations that, for purposes of analysis, may be considered similar to certain operations of Alleghany.

The multiples and ratios of the selected companies and Alleghany were based on the closing prices of the selected companies' common shares on November 18, 2011 and financial data obtained from SEC filings, SNL Financial, Bloomberg, IBES and Capital IQ.

With respect to each of the selected companies and Alleghany, Goldman Sachs calculated, among other things:

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

price as a multiple of estimated 2012 earnings per share;

price as a multiple of per basic share book value (including AOCI) as of September 30, 2011; and

price as a multiple of per basic share tangible book value (including AOCI) as of September 30, 2011.

The results of these analyses are summarized as follows:

	<b>Alleghany</b>	<b>Minimum</b>	<b>Median</b>	<b>Maximum</b>
<b>2012E P/E</b>	27.3x	7.6x	10.9x	26.7x
<b>P/BV (incl. AOCI)</b>	0.95x	0.67x	0.98x	1.20x
<b>P/TBV (incl. AOCI)</b>	0.99x	0.73x	1.01x	1.57x

**Table of Contents**

**Sum of the Parts Analysis of Alleghany.** Goldman Sachs performed an illustrative sum of the parts analysis on Alleghany by analyzing RSUI Group, Inc. (which we refer to as RSUI) and the other insurance subsidiaries of Alleghany. Goldman Sachs calculated low, median and high illustrative values for RSUI and the other insurance subsidiaries of Alleghany based on illustrative low, median and high price to book value multiples of selected peer companies of RSUI and the other insurance subsidiaries of Alleghany. Illustrative equity value for Alleghany then was calculated by adding the illustrative values for RSUI and the other insurance subsidiaries of Alleghany with Alleghany's cash, investments, and other items held outside of insurance subsidiaries, valued at book value, based on discussions with Alleghany management, and then by subtracting debt and deferred tax liabilities. Goldman Sachs then derived low, median and high illustrative equity values per share of Alleghany common stock and also calculated the premium or discount of such values to the closing Alleghany stock price as of November 18, 2011.

The following table presents the results of this analysis:

	Illustrative Values		
	Low	Median	High
<b>Equity Value</b>	\$ 2,108	\$ 2,670	\$ 3,084
<b>Equity Value Per Basic Share</b>	\$ 246.48	\$ 312.16	\$ 360.66
<b>Premium / (Discount) to Stock Price as of Nov. 18, 2011</b>	(21.6%)	(0.7)%	14.8%

**Dividend Discount Model Analysis of Transatlantic.** Goldman Sachs performed dividend discount model analyses on Transatlantic utilizing the Transatlantic Forecasts and the Transatlantic Forecasts as adjusted to reflect the maximum amount of possible dividends that Transatlantic management estimates can be paid out by Transatlantic during fiscal years 2012 through 2016 (which we refer to as the Adjusted Transatlantic Forecasts). Neither the Transatlantic Forecasts, the Adjusted Transatlantic Forecasts nor this analysis take into account any potential benefit to Transatlantic from pending arbitration with AIG and certain of its subsidiaries, which potential benefits, based on discussions with Transatlantic management, could range from \$0.00 to \$4.96 per share of Transatlantic common stock, after taxes and legal costs. Goldman Sachs calculated indications of net present value of estimated dividend streams for fiscal years 2012 through 2016 using discount rates ranging from 7.3% to 12.0%, reflecting estimates of Transatlantic's cost of equity. Illustrative terminal values were then calculated using terminal multiples of price to book value of 0.70x to 0.90x and Transatlantic's projected book value as of December 31, 2016. Those illustrative terminal values were then discounted to calculate implied indications of net present values of these illustrative terminal values using discount rates ranging from 7.3% to 12.0%. This analysis resulted in illustrative present value indications per share of Transatlantic common stock (as of December 31, 2011) ranging from \$59.88 to \$83.77 with respect to the Transatlantic Forecasts, and \$61.95 to \$84.72 with respect to the Adjusted Transatlantic Forecasts.

**Illustrative Alleghany Standalone Value Sensitivities.** Goldman Sachs performed illustrative hybrid financial analyses on Alleghany utilizing the Alleghany Forecasts and the Alleghany Forecasts as adjusted to reflect the maximum amount of possible dividends that Alleghany management estimates can be paid out by Alleghany's insurance subsidiaries during fiscal years 2012 through 2014 (which we refer to as the Adjusted Alleghany Forecasts). Goldman Sachs calculated illustrative values of Alleghany's insurance subsidiaries. Goldman Sachs calculated indications of net present value of estimated dividends paid to Alleghany by Alleghany's insurance subsidiaries for fiscal years 2012 through 2014 using discount rates ranging from 5.7% to 10.0%, reflecting estimates of Alleghany's insurance subsidiaries' cost of equity. Illustrative terminal values were then calculated using terminal multiples of price to book value of 0.80x to 1.10x and projected book value of Alleghany's insurance subsidiaries as of December 31, 2014. Those illustrative terminal values were then discounted to calculate implied indications of net present values of these illustrative terminal values using discount rates ranging from 5.7% to 10.0%. The illustrative values of Alleghany's insurance subsidiaries were then adjusted by (i) adding Alleghany's cash, investments, and other items held outside of insurance subsidiaries, valued at book value, based on discussions with Alleghany management, (ii) subtracting the present value of after-tax corporate administrative expenses using illustrative discount rates ranging from 5.7% to 10% and an illustrative terminal multiple of 15.0x, and (iii) subtracting the carrying value of Alleghany's debt. This analysis

**Table of Contents**

resulted in illustrative value indications per share of Alleghany common stock (as of December 31, 2011) ranging from \$256.26 to \$328.51 with respect to the Alleghany Forecasts, and \$261.59 to \$327.19 with respect to the Adjusted Alleghany Forecasts.

**Pro Forma Analysis at Various Price to Book Trading Multiples.** Goldman Sachs prepared an illustrative analysis of the low, mid and high total pro forma value per Transatlantic diluted share based on (i) the estimated pro forma book value of the combined entity, (ii) multiples of book value of 0.80x, 0.88x and 0.94x (based on the minimum, median and maximum Transatlantic and Alleghany blended multiples by market capitalization since the sale of AIG's interests in Transatlantic on June 5, 2009 through June 10, 2011), (iii) Transatlantic stockholders ownership of 49.5% of the combined company based on diluted shares per the treasury-stock-method as of November 18, 2011, (iv) the Synergies capitalized at 9.0x for the high value, the Synergies (excluding projected improvement in investment performance) capitalized at 7.0x for the low value, and the average of the Synergies used to calculate the low and high values for the mid value, and (v) the \$14.22 cash consideration.

The results of this analysis is summarized as follows:

	Low	Mid	High
Total Pro Forma Value per Transatlantic Diluted Share	\$ 55.12	\$ 60.09	\$ 64.21

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Transatlantic, Alleghany or the merger.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to Transatlantic's board of directors as to the fairness from a financial point of view of the merger consideration to be paid to the holders of the shares of Transatlantic common stock pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Transatlantic, Alleghany, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The merger consideration was determined through arm's-length negotiations between Transatlantic and Alleghany and was approved by Transatlantic's board of directors. Goldman Sachs provided advice to Transatlantic during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to Transatlantic or Transatlantic's board of directors or that any specific amount of consideration constituted the only appropriate consideration for the merger.

As described above, Goldman Sachs' opinion to Transatlantic's board of directors was one of many factors taken into consideration by Transatlantic's board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with its opinion and is qualified in its entirety by reference to the full text of the written opinion of Goldman Sachs attached as Annex D to this joint proxy statement/prospectus.

Goldman Sachs and its affiliates are engaged in investment banking and financial advisory services, commercial banking, securities trading, investment management, principal investment, financial planning,

---

**Table of Contents**

benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of Transatlantic, Alleghany, any of their respective affiliates or third parties or any currency or commodity that may be involved in the transaction contemplated by the merger agreement for their own account and for the accounts of their customers.

Goldman Sachs acted as financial advisor to Transatlantic in connection with, and participated in certain of the negotiations leading to, the merger. Goldman Sachs has provided certain investment banking services to Transatlantic and its affiliates from time to time for which Goldman Sachs Investment Banking Division has received and may receive compensation, including having acted as an underwriter in connection with the public offering of Transatlantic's 8.00% Senior Notes due 2039 (aggregate principal amount \$350 million) in November 2009, as an underwriter in connection with the secondary public offering of 8.5 million Shares by American Home Assurance Company, an affiliate of American International Group, Inc., in March 2010, as a repurchase agent in connection with Transatlantic's share repurchase program commencing in September 2011, and financial advisor in connection with the terminated acquisition of Transatlantic by Allied World Assurance Company Holdings, AG in September 2011. Goldman Sachs also may provide investment banking services to Transatlantic, Alleghany and their respective affiliates in the future for which Goldman Sachs Investment Banking Division may receive compensation.

Transatlantic's board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement, dated November 20, 2011 and effective as of September 16, 2011, Transatlantic engaged Goldman Sachs to act as its financial advisor in connection with the merger. Pursuant to the terms of this engagement letter, Transatlantic has agreed to pay Goldman Sachs a transaction fee of \$21,000,000, which is contingent upon consummation of the merger. In addition, Transatlantic has agreed to reimburse Goldman Sachs for certain of its expenses and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

**Opinion of Transatlantic's Financial Advisor Moelis & Company LLC**

In connection with the merger, on November 20, 2011, Moelis delivered its oral opinion, which was subsequently confirmed in writing, that based upon and subject to the conditions and limitations set forth in its written opinion, as of November 20, 2011, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of Transatlantic common stock.

**The full text of Moelis' written opinion, dated November 20, 2011, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex E and is incorporated into this joint proxy statement/prospectus by reference. Holders of Transatlantic common stock are urged to read Moelis' written opinion and this section carefully and in their entirety. The following summary describes the material analyses underlying Moelis' opinion, but does not purport to be a complete description of the analyses performed by Moelis in connection with its opinion. Moelis' opinion is limited solely to the fairness, from a financial point of view, of the merger consideration pursuant to the merger agreement to the holders of Transatlantic common stock as of the date of the opinion and does not address Transatlantic's underlying business decision to effect the merger or the relative merits of the merger as compared to any alternative business strategies or transactions that might be available to Transatlantic. Moelis' opinion does not constitute a recommendation to any stockholder of Transatlantic as to how such stockholder should vote with respect to the merger or as to which election to make with respect to the merger consideration or any other matter. Moelis' opinion was approved by a Moelis fairness opinion committee.**

**Table of Contents**

In arriving at its opinion, Moelis, among other things:

reviewed certain publicly available business and financial information relating to Transatlantic and Alleghany that Moelis deemed relevant;

reviewed certain internal information relating to the business, including financial forecasts, earnings, cash flow, assets, liabilities and prospects of Transatlantic, furnished to Moelis by Transatlantic;

reviewed certain internal information relating to the business, including financial forecasts, earnings, cash flow, assets, liabilities and prospects of Alleghany, furnished to Moelis by Alleghany;

conducted discussions with members of senior management and representatives of Transatlantic and Alleghany concerning the matters described in the foregoing, as well as their respective businesses and prospects before and after giving effect to the merger;

reviewed publicly available financial and stock market data, including valuation multiples, for Transatlantic and Alleghany and compared them with those of certain other companies in lines of business that Moelis deemed relevant;

compared the proposed financial terms of the merger with the financial terms of certain other transactions that Moelis deemed relevant;

reviewed a draft of the merger agreement, dated November 20, 2011;

participated in certain discussions and negotiations among representatives of Transatlantic and Alleghany and their financial and legal advisors; and

conducted such other financial studies and analyses and took into account such other information as Moelis deemed appropriate.

In connection with Moelis' review, it did not assume any responsibility for independent verification of any of the financial, legal, regulatory, tax, accounting and other information supplied to, discussed with, or reviewed by Moelis for the purpose of its opinion and has, with the consent of the Transatlantic board of directors, relied on such information being complete and accurate in all material respects. In addition, with the consent of the Transatlantic board of directors, Moelis did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet, or otherwise) of Transatlantic or Alleghany, nor was Moelis furnished with any such evaluation or appraisal. Moelis is not an expert in the evaluation of reserves for insurance losses and loss adjustment expenses, and did not make an independent evaluation of the adequacy of reserves of Transatlantic or Alleghany. In that regard, Moelis did not make an analysis of, and expressed no opinion as to, the adequacy of the loss and loss adjustment expense reserves of, the value of redundant reserves to, or the ability to achieve reserve releases by, Transatlantic or Alleghany. Moelis was not requested, and did not undertake, to make any independent valuation of Transatlantic's pending arbitration matter concerning AIG and certain of its subsidiaries, and for purposes of Moelis' analysis, at the direction of the Transatlantic board of directors, Moelis assumed that Transatlantic will obtain a recovery in the amount and at the time estimated by Transatlantic management. In connection with such pending arbitration matter concerning AIG, Transatlantic management provided to Moelis a range of potential recovery amounts from \$0 to \$500 million. With the consent of the Transatlantic board of directors, Moelis used the mid-point of such range (\$250 million) for its dividend discount model analysis. Moelis assumed, at the direction of the Transatlantic board of directors, that the Alleghany common stock to be issued to Transatlantic stockholders pursuant to the merger agreement will be listed on the NYSE. In addition, Moelis assumed, with the consent of the Transatlantic board of directors, that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes. Furthermore, with respect to the forecasted financial information referred to above, Moelis assumed, at the direction of the Transatlantic board of directors, that such financial information was reasonably prepared on a basis reflecting the best currently

Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

available estimates and judgments of the management of Transatlantic and Alleghany as to the future performance of their respective companies and that such future financial results will be achieved at the times and in the amounts projected by management of Transatlantic and Alleghany.

---

**Table of Contents**

Moelis' opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Moelis as of, the date thereof. Moelis assumed, with the consent of the Transatlantic board of directors, that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without the imposition of any delay, limitation, restriction, divestiture or condition that would have an adverse effect on Transatlantic or Alleghany or on the expected benefits of the merger. Subsequent developments may affect Moelis' opinion but Moelis does not have any obligation to update, revise or reaffirm its opinion. Moelis' opinion does not constitute legal, tax or accounting advice.

The following is a summary of the material financial analyses presented by representatives of Moelis to the Transatlantic board of directors at its meeting held on November 20, 2011, in connection with the delivery of the oral opinion at that meeting and Moelis' subsequent written opinion.

Some of the summaries of financial analyses below include information presented in tabular format. In order to fully understand Moelis' analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Moelis' analyses.

The analyses performed by Moelis include analyses based upon forecasts of future results, which results might be significantly more or less favorable than those upon which Moelis' analyses were based. The analyses do not purport to be appraisals or to reflect the prices at which Transatlantic common stock might trade at any time following the announcement of the merger. Because the analyses are inherently subject to uncertainty, being based upon numerous factors and events, including, without limitation, factors relating to general economic and competitive conditions beyond the control of the parties or their respective advisors, neither Moelis nor any other person assumes responsibility if future results or actual values are materially different from those contemplated below.

For purposes of performing certain of its financial analyses, Moelis calculated an adjusted exchange ratio of 0.1903 by assuming a merger consideration mix of 0.145 shares of Alleghany common stock (the share ratio set forth in the merger agreement) and \$14.22 in cash (the cash component of the per share amount set forth in the merger agreement) and assuming that such cash was used to acquire shares of Alleghany common stock at a price of \$314.26 per share, the closing price per share of Alleghany common stock on November 18, 2011. Moelis then compared the adjusted exchange ratio of 0.1903 shares of Alleghany common stock for each share of Transatlantic common stock to the exchange ratio reference ranges implied by each of the financial analyses described below.

***Dividend Discount Model Analysis***

Moelis conducted a dividend discount model analysis for Transatlantic and Alleghany. A dividend discount model analysis is a method of evaluating the equity value of a company using estimates of the future dividends to stockholders generated by a company and taking into consideration the time value of money with respect to those future dividends by calculating their present value. Present value refers to the current value of future dividends to stockholders paid by such company and is obtained by discounting those future dividends back to the present using a discount rate that takes into account macro-economic assumptions, estimates of risk, the opportunity cost of capital, and other appropriate factors.

Based on estimates provided by Transatlantic management as to the maximum amount of possible dividends that can be paid out by Transatlantic during fiscal years (which we refer to as "FYs") 2011 through 2016 and estimates provided by Alleghany management as to the maximum amount of possible dividends that can be paid out by Alleghany during FYs 2011 through 2014 (assuming no capital is returned through share repurchases and, in the case of Transatlantic, adjusted for the potential assumed \$250 million tax-effected recovery from pending arbitration with AIG which \$250 million amount represented the mid-point of the range provided by



**Table of Contents**

Transatlantic management and certain of its subsidiaries and, in the case of Alleghany, adjusted for the liquidation of the investments of its holding company to occur on December 31, 2011 (calculated by subtracting the book value of Alleghany's insurance subsidiaries from Alleghany's consolidated book value), Moelis discounted the applicable amounts to present values using a range of discount rates from 8.0% to 10.0% for Transatlantic, and 7.1% to 9.1% for Alleghany, both of which were chosen by Moelis based upon an analysis of the cost of equity of Transatlantic and Alleghany. Moelis also calculated a range of terminal values for Transatlantic and Alleghany, at the end of the 6-year period ending FY 2016 for Transatlantic and at the end of the 4-year period ending FY 2014 for Alleghany, by applying, in the case of Transatlantic, a terminal book value multiple ranging from 0.60x to 0.90x and Transatlantic's projected FY 2016 book value as provided by Transatlantic management, and, in the case of Alleghany, a terminal book value multiple ranging from 1.00x to 1.50x and Alleghany's projected FY 2014 book value as provided by Alleghany management, and discounting the terminal value using a range of discount rates from 8.0% to 10.0% for Transatlantic, and 7.1% to 9.1% for Alleghany. Terminal value refers to the capitalized value of all future dividends to stockholders paid by a company for periods beyond the final forecast period.

Using, in the case of Transatlantic, a terminal book value multiple ranging from 0.65x to 0.85x and Transatlantic's projected FY 2016 book value as provided by Transatlantic management, and, in the case of Alleghany, a terminal book value multiple ranging from 1.10x to 1.40x and Alleghany's projected FY 2014 book value as provided by Alleghany management, and discounting the maximum amounts of possible dividends that can be paid out by each of Transatlantic during FYs 2011 through 2016 and Alleghany during FYs 2011 through 2014 and the respective terminal values, using a range of discount rates from 8.5% to 9.5% for Transatlantic, and 7.6% to 8.6% for Alleghany, Moelis calculated a low and high implied equity value per share for Transatlantic of \$65.09 per share and \$78.31 per share and for Alleghany of \$309.73 per share and \$358.03 per share.

Moelis then calculated (1) the ratio of the lowest implied equity value per share for Transatlantic to the highest implied equity value per share for Alleghany, and (2) the ratio of the highest implied equity value per share for Transatlantic to the lowest implied equity value per share for Alleghany to derive an implied exchange ratio range as set forth below:

	<b>IMPLIED EXCHANGE RATIO</b>
Highest Transatlantic equity value per share to lowest Alleghany equity value per share	0.1818
Lowest Transatlantic equity value per share to highest Alleghany equity value per share	0.2528

***Selected Public Companies Analysis***

Moelis performed a selected public companies analysis by comparing certain financial information of Transatlantic and Alleghany with corresponding financial information of selected public companies. Although none of the selected companies is directly comparable to Transatlantic or Alleghany, Moelis selected reinsurance and/or insurance companies with similar operations to Transatlantic and specialty primary insurance companies with similar operations to Alleghany, and then used publicly available information regarding these companies to conduct a selected public companies analysis. The companies Moelis selected for Transatlantic are as follows:

ACE Limited;

Allied World Assurance AG;

Alterra Capital Holdings Limited;

Arch Capital Group Ltd.;

Aspen Insurance Holdings Limited;

AXIS Capital Holdings Limited;

Endurance Specialty Holdings Ltd.;

EverestRe Group Ltd.;

**Table of Contents**

Flagstone Reinsurance Holdings Limited;

Montpelier Re Holdings Ltd.;

PartnerRe Ltd.;

Platinum Underwriters Holdings, Ltd.;

RenaissanceRe Holdings Ltd.;

Validus Holdings, Ltd.; and

XL Capital Ltd.

From such list of 15 companies, Moelis then selected those that predominately write reinsurance (excluding those that write predominately property catastrophe reinsurance) as Transatlantic's core selected companies, which are the following:

EverestRe Group Ltd.;

PartnerRe Ltd.; and

Platinum Underwriters Holdings, Ltd.

For Alleghany, Moelis selected the following public companies that are specialty primary insurance companies:

Fairfax Financial Holdings Limited;

Markel Corp.;

RLI Corp.;

White Mountains Insurance Group, Ltd.; and

W.R. Berkley Corporation.

As part of its selected public companies analysis, Moelis calculated and analyzed each selected company's price-to-earnings (P/E) ratio, P/BV and P/TBV multiples. Moelis noted that given the significant catastrophic events that occurred through the third quarter of 2011, the use of FY 2011 projected earnings would not provide an accurate representation of the earnings of Transatlantic or Alleghany going forward. Thus, for purposes of its analysis, Moelis used FY 2012 projected earnings per share for the selected public companies based on consensus analyst

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

estimates compiled by Thomson Reuters I/B/E/S and First Call, as well as September 30, 2011 amounts for purposes of calculating book values and tangible book values.

The following summarizes the results of this analysis:

### Transatlantic s Core Selected Companies

	MEDIAN	MEAN
<b>P/E</b>		
2012E	7.6x	7.7x
<b>P/BV</b>		
2012E	0.77x	0.75x
<b>P/TBV</b>		
2012E	0.78x	0.78x

**Table of Contents****Transatlantic All Selected Public Companies**

	<b>MEDIAN</b>	<b>MEAN</b>	<b>HIGH</b>	<b>LOW</b>
<b>P/E</b>				
2012E	8.0x	8.2x	12.8x	5.9x
<b>P/BV</b>				
2012E	0.78x	0.84x	1.26x	0.61x
<b>P/TBV</b>				
2012E	0.86x	0.88x	1.27x	0.65x

**Alleghany All Selected Public Companies**

	<b>MEDIAN</b>	<b>MEAN</b>	<b>HIGH</b>	<b>LOW</b>
<b>P/E</b>				
2012E	17.0x	18.6x	26.2x	13.2x
<b>P/BV</b>				
2012E	1.20x	1.25x	1.82x	0.94x
<b>P/TBV</b>				
2012E	1.29x	1.39x	1.96x	0.94x

Based on its analysis of the foregoing core selected public companies for Transatlantic, Moelis selected the following valuation multiple ranges: 0.70x to 0.80x for equity value as a multiple of Transatlantic's September 30, 2011 book value (adjusted for share repurchases through November 18, 2011 as per Transatlantic management) and 0.70x to 0.90x for equity value as a multiple of its September 30, 2011 tangible book value (adjusted for share repurchases through November 18, 2011 as per Transatlantic management). Moelis applied the selected ranges to the relevant statistics for Transatlantic using Transatlantic's September 30, 2011 book and tangible book values (adjusted for share repurchases through November 18, 2011 as per Transatlantic management) and calculated an implied range of Transatlantic common stock prices on a fully diluted basis of \$48.85 to \$55.83 based on its book value and of \$48.66 to \$62.56 based on its tangible book value.

Based on its analysis of the foregoing core selected public companies for Alleghany, Moelis selected the following valuation multiple ranges: 1.10x to 1.50x for its equity value as a multiple of its September 30, 2011 book value (adjusted for share repurchases through November 18, 2011 as per Alleghany management) and 1.20x to 1.60x for its equity value as a multiple of Alleghany's September 30, 2011 tangible book value (adjusted for share repurchases through November 18, 2011 as per Alleghany management). Moelis applied the selected ranges to the relevant statistics for Alleghany using Alleghany's September 30, 2011 book and tangible book values (adjusted for share repurchases through November 18, 2011 as per Alleghany management) and calculated an implied range of \$356.89 to \$486.67 based on its book value and of \$369.93 to \$493.24 based on its tangible book value.

Based on the foregoing applicable valuation ranges for each of Transatlantic and Alleghany, Moelis then calculated the ranges of implied exchange ratio set forth below:

	<b>LOW</b>	<b>HIGH</b>
<b>Book Value (as of 9/30/11, adjusted for share repurchases through 11/18/11 as per applicable management)</b>	0.1004	0.1564
<b>Tangible Book Value (as of 9/30/11, adjusted for share repurchases through 11/18/11 as per applicable management)</b>	0.0986	0.1691

**Selected Transactions Analysis**

Moelis compared selected financial and transaction metrics of the merger with similar data (where available) of selected transactions in the reinsurance sector (with respect to Transatlantic) and in the reinsurance and specialty insurance sectors (with respect to Alleghany).

**Table of Contents****Transactions Relevant to Transatlantic:**

Max Capital Group Ltd. s merger with Harbor Point, Ltd. announced on March 3, 2010; and

Validus Holdings Ltd. s merger with IPC Holdings Ltd. announced on July 9, 2009.

**Transactions Relevant to Alleghany:**

Validus Holdings Ltd. s merger with IPC Holdings Ltd. announced on July 9, 2009;

Tower Group Inc. s merger with CastlePoint Holdings Ltd. announced on August 4, 2008; and

Travelers Property Casualty Corp. s merger with The St. Paul Companies announced on November 16, 2003.

The selected transactions were selected with respect to Transatlantic and Alleghany, as applicable, because they represented in Moelis s view the transactions most relevant to the merger. The Odyssey Re Holdings Corp./Fairfax Financial Holdings Limited and XL Capital Ltd./NAC Re Corp. transactions announced on September 18, 2009 and February 16, 1999, respectively, were not considered by Moelis to be among the most relevant transactions. Moelis made such determination based on, among other things, the fact that the Odyssey Re Holdings Corp./Fairfax Holdings Limited transaction was an all-cash transaction where the acquirer, which owned approximately 73% of the outstanding common stock of the target prior to the merger, acquired all of the remaining outstanding common stock of the target and the XL Capital Ltd./NAC Re Corp. transaction was an exchange offer resulting in the acquirer owning approximately 86% of the outstanding stock of the target. In contrast, as a result of the proposed merger, Transatlantic s stockholders will own approximately 49% of the combined company as of the effective time of the merger on a fully diluted basis.

For each such transaction, Moelis calculated valuation multiples based on information that was publicly available, focusing on P/BV and P/TBV multiples (in each case, based on the book value and tangible book value reflected on the financial statements of the applicable target company prepared pursuant to U.S. generally accepted accounting principles), to evaluate such transactions. Moelis noted that given the significant catastrophic events that occurred in 2011, a focus on valuation multiples based on last-twelve months net income would not provide an accurate comparison. Thus, for purposes of this analysis, Moelis focused on P/BV and P/TBV valuation multiples. The following table presents the results of such calculations:

	P/BV	P/TBV
Max Capital/Harbor Point	0.79x	0.92x
Validus/IPC	0.83x	0.83x
Tower Group/CastlePoint	1.16x	1.16x
Travelers/St. Paul	1.41x	1.78x

Based on its analysis of the foregoing selected transactions relevant to Transatlantic, Moelis selected a range of 0.75x to 0.85x for equity value as a multiple of P/B and a range of 0.80x to 0.95x for equity value as a multiple of P/TBV. Moelis applied the selected ranges to the relevant statistics for Transatlantic using Transatlantic s September 30, 2011 book and tangible book values (adjusted for share repurchases through November 18, 2011 as per Transatlantic management) and calculated an implied range of Transatlantic common stock prices on a fully diluted basis of \$52.34 to \$59.32 and of \$55.61 to \$66.03, respectively.

Based on its analysis of the foregoing selected transactions relevant to Alleghany, Moelis selected a range of 0.80x to 1.40x for equity value as a multiple of P/B and a range of 0.80x to 1.80x for equity value as a multiple of P/TBV. Moelis applied the selected ranges to the relevant statistics for Alleghany using Alleghany s September 30, 2011 book and tangible book values (adjusted for share repurchases through November 18, 2011 as per Alleghany management) and calculated an implied range of Alleghany common stock prices on a fully diluted basis of \$259.56 to \$454.23 and of \$246.62 to \$554.89, respectively.



**Table of Contents**

Based on the foregoing applicable valuation ranges for each of Transatlantic and Alleghany, Moelis then calculated the following ranges of implied exchange ratio as set forth below:

	LOW	HIGH
<b>Book Value (as of 9/30/11, adjusted for share repurchases through 11/18/11 as per applicable management)</b>	0.1152	0.2285
<b>Tangible Book Value (as of 9/30/11, adjusted for share repurchases through 11/18/11 as per applicable management)</b>	0.1002	0.2677

**52-Week Trading Range**

Moelis reviewed the trading range of Transatlantic common stock and Alleghany common stock for the 52-week period ending November 18, 2011, which ranged from \$43.85 to \$55.14 in the case of Transatlantic and from \$278.74 to \$340.91 in the case of Alleghany. Based on the foregoing 52-week trading ranges, Moelis then calculated a range of implied exchange ratio of 0.1286 to 0.1978.

**Contribution Analysis**

Moelis calculated the hypothetical relative contributions of Transatlantic and Alleghany to a combined company in terms of:

ownership as a result of the merger (based on fully diluted shares outstanding), market capitalization as a result of the merger (on a fully diluted basis based on closing share price as of November 18, 2011), and market capitalization as of November 18, 2011 (on a fully diluted basis);

FY 2010 and projected FYs 2011 and 2012 operating income as provided by Transatlantic and Alleghany management respectively; and

book value (including accumulated other comprehensive income (which we refer to as AOCI)), and tangible book value (including AOCI), in each case, as per the applicable company's September 30, 2011 balance sheet.

The results of Moelis' calculations are as follows:

METRIC	TRANSATLANTIC	ALLEGHANY	IMPLIED EXCHANGE RATIO
Ownership	49.5%	50.5%	0.1450x
Market Capitalization as a Result of the Merger	56.2%	43.8%	0.1903x
Market Capitalization as of November 18, 2011	53.9%	46.1%	0.1732x
<b>Income Statement</b>			
2010A Operating Income	65.8%	34.2%	0.2854x
2011E Operating Income	23.9%	76.1%	0.0464x
2012E Operating Income	83.5%	16.5%	0.7500x
<b>Balance Sheet as of 9/30/11 (adjusted for share repurchases through 11/18/11 as per applicable management)</b>			
Book Value (including AOCI)	59.2%	40.8%	0.2151x
Tangible Book Value (including AOCI)	60.4%	39.6%	0.2255x

The preparation of a fairness opinion is a complex analytical process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Moelis' opinion. In arriving at its fairness determination, Moelis considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis. Rather, Moelis made its fairness determination on the basis of its experience and professional judgment after considering the results of all of its analyses.





---

**Table of Contents**

No company or transaction used in the analyses described above for purposes of comparison is directly comparable to Transatlantic, Alleghany or the merger. In addition, such analyses do not purport to be appraisals, nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such analyses. Because the analyses described above are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, neither Transatlantic, nor Moelis or any other person assumes responsibility if future results are materially different from those forecast.

The merger consideration set forth in the merger agreement was determined through arms length negotiations between Transatlantic and Alleghany and was approved by the Transatlantic board of directors. The decision by the Transatlantic board of directors to approve and authorize the merger was solely that of the Transatlantic board of directors. Representatives of Moelis provided advice to Transatlantic during these negotiations. Moelis did not, however, recommend any specific consideration to Transatlantic or the Transatlantic board of directors, or that any specific amount, type or mix of consideration constituted the only appropriate consideration for the merger.

The Moelis opinion and financial analyses, taken together, represented only one of many factors considered by Transatlantic's board of directors in its evaluation of the merger and was not determinative of the views of the Transatlantic board of directors or Transatlantic's management with respect to the merger, the merger consideration pursuant to the merger agreement or whether the Transatlantic board of directors would have been willing to agree to different merger consideration.

Moelis' opinion was prepared for the use and benefit of the Transatlantic board of directors in its evaluation of the merger. Moelis was not asked to address, and its opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Transatlantic, other than the holders of Transatlantic common stock. In addition, Moelis' opinion does not express any opinion as to the fairness of the amount or nature of any compensation to be received by any of Transatlantic's officers, directors or employees, or any class of such persons, relative to the merger consideration set forth in the merger agreement. At the direction of the Transatlantic board of directors, Moelis was not asked to, nor did it, offer any opinion as to the material terms of the merger agreement or the form of the merger. Moelis expressed no opinion as to what the value of Alleghany common stock would be when issued pursuant to the merger or the prices at which such Alleghany common stock would trade in the future. In rendering its opinion, Moelis assumed, with the consent of the Transatlantic board of directors, that the final executed form of the merger agreement would not differ in any material respect from the draft that Moelis examined, that the representations and warranties of each of Transatlantic and Alleghany are true and correct, that Transatlantic and Alleghany would perform all of the covenants and agreements required to be performed by each of them, and that all conditions to the consummation of the merger will be satisfied without waiver thereof and that the transaction will be consummated in a timely manner in accordance with the terms of the merger agreement, without any modifications or amendments thereto or any adjustment of the merger consideration set forth in the merger agreement.

Moelis entered into an engagement letter with Transatlantic on November 10, 2011 that superseded the terms of Moelis' prior engagement letter with Transatlantic, dated June 10, 2011. Pursuant to the terms of Moelis' engagement as financial advisor to Transatlantic's board of directors entered into on November 10, 2011, Moelis earned a fee of \$1 million for rendering its opinion in connection with the merger, payable upon delivery of its opinion, regardless of whether the merger is consummated. Moelis' engagement letter with Transatlantic provides that if Moelis is requested by Transatlantic to deliver an additional opinion, Moelis shall be entitled to an additional \$1 million upon delivery of such additional opinion. Moelis will also be entitled to receive a one-time transaction fee of \$7 million, less the aggregate amount of all termination fees and opinion fees paid to Moelis pursuant to the engagement letter (including the \$2.5 million fee paid to Moelis with respect to the opinion it rendered in connection with the since-terminated Allied World Merger Agreement), if the merger is consummated. In addition, Transatlantic has agreed to reimburse Moelis for all reasonable and documented out-of-pocket expenses incurred in connection with its rendering of the opinion, including the

---

## **Table of Contents**

expense of legal counsel, up to a specified maximum amount that is not to be exceeded without the prior written consent of Transatlantic (which is not to be unreasonably withheld). The engagement letter provides that the maximum aggregate amount of the fees payable to Moelis in connection with the merger is \$7 million. Transatlantic has also agreed to indemnify Moelis for certain liabilities arising out of its engagement.

Pursuant to the terms of a prior engagement letter between Moelis and the Special Committee entered into in February 2010, pursuant to which Moelis received a quarterly retainer fee and customary reimbursement for expenses, Moelis was engaged to (i) undertake (in consultation with members of Transatlantic management and the Special Committee) a customary business and financial analysis of Transatlantic and (ii) meet with the Special Committee to discuss strategic opportunities for Transatlantic and their financial implications, in each case, to the extent requested by the Special Committee. The aggregate amount of retainer fees collected by Moelis pursuant to such engagement letter was \$50,000. The February 2010 engagement letter expressly contemplated that if Moelis was asked to act for the Special Committee or Transatlantic in any formal capacity other than as described in the first sentence of this paragraph, the terms of such additional engagement would be embodied in a new written agreement. Moelis subsequently entered into the June 10, 2011 engagement letter described in the paragraph above as a result of the Transatlantic board of directors requesting Moelis to provide its opinion in connection with the since-terminated Allied World Merger Agreement. Moelis may provide investment banking services to Transatlantic, Alleghany and their respective affiliates and/or successors in the future for which Moelis would expect to receive compensation. In the ordinary course of business, Moelis' affiliates may trade securities of Transatlantic or Alleghany for their own accounts and the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

The Transatlantic board of directors selected Moelis as its financial advisor in connection with the merger because, among other things, Moelis has substantial experience in transactions similar to the merger. Moelis is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, strategic transactions, corporate restructurings, and valuations for corporate and other purposes.

### **Certain Transatlantic Prospective Financial Information**

Transatlantic does not, as a matter of course, make public long-term forecasts as to future performance or other prospective financial information beyond the current fiscal year, and Transatlantic is especially wary of making forecasts or projections for extended periods due to the unpredictability of the underlying assumptions and estimates. However, as part of the due diligence review of Transatlantic in connection with the merger, Transatlantic's management prepared and provided to Alleghany, as well as to UBS, Morgan Stanley, Goldman Sachs and Moelis in connection with their respective evaluations of the fairness of the merger consideration, certain non-public, internal financial forecasts regarding Transatlantic's projected future operations for fiscal years 2011 through 2016. Transatlantic has included below a summary of these forecasts for the purpose of providing stockholders and investors access to certain non-public information that was furnished to third parties and such information may not be appropriate for other purposes. These forecasts were also considered by the Transatlantic board of directors for purposes of evaluating the merger. The Transatlantic board of directors also considered non-public, financial forecasts prepared by Alleghany regarding Alleghany's projected future operations for fiscal years 2011 through 2014 for purposes of evaluating Alleghany and the merger. See the section entitled "Certain Alleghany Prospective Financial Information" for more information about the forecasts prepared by Alleghany.

These internal financial forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, GAAP, SAP, IFRS or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentations of financial forecasts. The prospective financial information included in this joint proxy statement/prospectus has been prepared by, and is the responsibility of, Transatlantic's management. PWC, Transatlantic's independent auditor, has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, PWC does not express an opinion or any other form of assurance with respect thereto. The PWC report incorporated by reference in this joint proxy statement/

**Table of Contents**

prospectus relates to Transatlantic's historical financial information. It does not extend to the prospective financial information and should not be read to do so. The summary of these internal financial forecasts included below is not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but instead because these internal financial forecasts were provided by Transatlantic to Alleghany, UBS, Morgan Stanley, Goldman Sachs and Moelis.

While presented with numeric specificity, these internal financial forecasts were based on numerous variables and assumptions (including, but not limited to, those related to industry performance and competition and general business, economic, market and financial conditions and additional matters specific to Transatlantic's businesses) that are inherently subjective and uncertain and are beyond the control of Transatlantic's management. Important factors that may affect actual results and cause these internal financial forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to Transatlantic's business (including its ability to achieve strategic goals, objectives and targets over applicable periods), industry performance, general business and economic conditions, the occurrence of unpredictable catastrophe events and other factors described in the sections entitled Special Note Regarding Forward-Looking Statements and Risk Factors. These internal financial forecasts also reflect numerous variables, expectations and assumptions available at the time they were prepared as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in these internal financial forecasts. Accordingly, there can be no assurance that the forecasted results summarized below will be realized.

The inclusion of a summary of these internal financial forecasts in this joint proxy statement/prospectus should not be regarded as an indication that any of Transatlantic, Alleghany or their respective affiliates, advisors or representatives considered these internal financial forecasts to be predictive of actual future events, and these internal financial forecasts should not be relied upon as such nor should the information contained in these internal financial forecasts be considered appropriate for other purposes. None of Transatlantic, Alleghany or their respective affiliates, advisors, officers, directors, partners or representatives can give you any assurance that actual results will not differ materially from these internal financial forecasts, and none of them undertakes any obligation to update or otherwise revise or reconcile these internal financial forecasts to reflect circumstances existing after the date these internal financial forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Since the forecasts cover multiple years, such information by its nature becomes less meaningful and accurate with each successive year.

None of Transatlantic, or its affiliates, advisors, officers, directors or representatives has made or makes any representation to any stockholder, investor, Alleghany or any other person, in the merger agreement or otherwise, concerning these internal financial forecasts or regarding Transatlantic's ultimate performance compared to the information contained in these internal financial forecasts or that the forecasted results will be achieved. The below forecasts do not give effect to the merger. Transatlantic urges all stockholders to review Transatlantic's most recent SEC filings for a description of Transatlantic's reported financial results.

Subject to the foregoing qualifications, the net premiums written, net income, loss ratio, combined ratio and stockholders' equity reflected below by fiscal year through the year 2016 were prepared by, or as directed by, Transatlantic's management and were delivered to Alleghany, UBS, Morgan Stanley, Goldman Sachs and Moelis.

Fiscal year ending December 31 (\$ in millions)(1):

	2011E	2012E	2013E	2014E	2015E	2016E
Net premiums written	\$ 3,950	\$ 3,770	\$ 3,770	\$ 3,820	\$ 3,870	\$ 3,920
Net income(2)(3)(4)	\$ 93	\$ 464	\$ 506	\$ 532	\$ 544	\$ 561
Loss ratio	80.6%	65.4%	63.6%	63.6%	63.5%	63.4%
Combined ratio	108.9%	94.4%	92.7%	92.1%	92.0%	91.9%
Stockholders' equity(2)(3)(5)	\$ 4,180	\$ 4,320	\$ 4,555	\$ 4,815	\$ 5,085	\$ 5,370

---

**Table of Contents**

- (1) Assumes that Transatlantic's 5.75% Senior Notes due 2015 are refinanced in 2015 at an interest rate similar to the existing interest rate of such notes and disregards the potential impact of any recovery related to Transatlantic's ongoing arbitration with AIG.
- (2) Includes impact of assumed continuation of historical dividends.
- (3) Includes the impact of repurchases of Transatlantic common stock equal to \$300 million of shares in each of 2011 and 2012 and \$250 million of shares in each year thereafter.
- (4) Operating income (not provided above) is net income excluding realized net capital gains (losses) and the gain (loss) on early extinguishment of debt, net of taxes.
- (5) As of December 31.

**Interests of Alleghany's Directors and Executive Officers in the Merger**

Executive officers of Alleghany have interests in the merger that may be different from, or in addition to, the interests of Alleghany stockholders generally. The Alleghany board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement and in recommending that Alleghany stockholders vote to approve the stock issuance and the Alleghany adjournment proposal. Alleghany stockholders should take these interests into account in deciding whether to vote FOR the stock issuance proposal and FOR the Alleghany adjournment proposal.

Other than continuing membership on the board of directors of Alleghany after the effective time of the merger as described in further detail below under the heading Alleghany Board of Directors and Management Following the Merger, the members of the Alleghany board of directors do not have any interests in the merger that are different from, or in addition to, the interests of Alleghany stockholders generally.

***Supplemental Bonus Program***

Alleghany plans to establish and grant awards under a supplemental bonus program for the benefit of key employees of Alleghany. Alleghany has agreed that the aggregate amount of all awards granted under the supplemental bonus program, which will be allocated by Alleghany's Compensation Committee (or its designee), will not exceed \$2 million. Although the awards under the supplemental bonus program have yet to be granted, it is likely that executive officers of Alleghany will be granted awards under the supplemental bonus program.

**Interests of Transatlantic's Directors and Executive Officers in the Merger**

In considering the recommendation of the Transatlantic board of directors to vote to adopt the merger agreement, Transatlantic stockholders should be aware that Transatlantic's directors and executive officers have financial interests in the merger that may be in addition to, or different from, the interests of Transatlantic stockholders generally. The Transatlantic board of directors was aware of and considered these potential interests, among other matters, in evaluating and negotiating the merger agreement and in recommending to Transatlantic stockholders that they adopt the merger agreement. Transatlantic stockholders should take these interests into account in deciding whether to vote FOR the adoption of the merger agreement.

As detailed below under Alleghany Board of Directors and Management Following the Merger, certain of Transatlantic's executive officers and members of the Transatlantic board of directors will continue to serve as officers or directors of Alleghany following the merger or Transatlantic (as a subsidiary of Alleghany) upon completion of the merger. Specifically, upon completion of the merger, the Alleghany board of directors will be expanded to 14 members and will include three directors who currently serve on the Transatlantic board of directors. In addition, Mr. Michael C. Sapnar will be appointed as President and Chief Executive Officer of Transatlantic (as a subsidiary of Alleghany).

Transatlantic does not expect a significant reduction in workforce as a result of the merger, subject to the discussion above regarding the potential difficulty of retaining key management personnel in the section entitled Risk Factors Risk Factors Relating to the Merger.

---

## **Table of Contents**

### ***Retention Agreements***

As disclosed on the Current Report on Form 8-K filed by Transatlantic on July 7, 2011, the Transatlantic board of directors previously approved retention agreements that were offered to certain executives of Transatlantic, including Steven S. Skalicky, Paul A. Bonny, Javier E. Vijil, Gary A. Schwartz, Kenneth Apfel and Thomas V. Chalnoky, each an executive officer of Transatlantic (the Offered Retention Agreements). If an executive officer had entered into an Offered Retention Agreement, the executive officer would benefit from the terms and conditions thereof irrespective of whether a transaction was ultimately consummated. None of Transatlantic's executive officers have entered into an Offered Retention Agreement.

Each of Messrs. Skalicky, Bonny, Vijil, Schwartz, Apfel and Chalnoky will be offered retention agreements with Alleghany (the Alleghany Retention Agreements) to replace the Offered Retention Agreements on substantially the same terms as the Offered Retention Agreements. The Alleghany Retention Agreements will generally become effective on the completion of the merger and provide that the executive officers will be eligible to receive, with respect to 2012, a base salary, a target annual incentive award opportunity and a target fair value equity award opportunity, that are substantially the same as that in effect immediately prior to the closing of the transaction. Each of the Alleghany Retention Agreements will also provide for a grant of book value unit awards (BVUs) of Transatlantic (as a subsidiary of Alleghany), immediately following the consummation of the merger, consisting of that number of BVUs equal in value to \$1,250,000 for each of Messrs. Apfel and Chalnoky, \$1,500,000 for each of Messrs. Skalicky, Schwartz and Vijil, and \$2,000,000 for Mr. Bonny, which award amounts are consistent with the retention awards offered pursuant to the Offered Retention Agreements. Subject to the continued employment of the applicable executive officer, the BVUs will vest 50% on September 30, 2012 and 50% on December 31, 2013. Pursuant to the Alleghany Retention Agreements, the BVUs will generally be subject to pro rata vesting upon a termination by Transatlantic (as a subsidiary of Alleghany) without Cause, or due to death or Disability, or by the executive officer with Good Reason, in each case prior to December 31, 2013. Further, pursuant to the Alleghany Retention Agreements, all of the outstanding, unvested equity awards in respect of Transatlantic common stock (which will be converted into BVUs pursuant to the Merger Agreement) and cash performance awards held by each of the executive officers as of the effective date of the Alleghany Retention Agreements is subject to full vesting upon a termination of employment by Transatlantic (as a subsidiary of Alleghany) after the completion of the merger without Cause, or by the executive officer with Good Reason, in each case prior to December 31, 2013. The Alleghany Retention Agreements also provide for a reduction of compensation and benefits payable to the applicable executive officer in the event that such reduction would avoid excise taxes under Sections 280G and 4999 of the Code and result in a better after-tax outcome for the applicable executive officer.

In consideration for entering into the Alleghany Retention Agreements, each executive officer shall provide a waiver of the executive officer's right to resign for Good Reason in connection with the merger as a result of the executive officer's new employment position immediately following the merger. The Alleghany Retention Agreements include non-competition, non-solicitation of employees and customers and confidentiality provisions for the duration of the applicable retention period and, under certain circumstances, for a period of time thereafter. Although the Alleghany Retention Agreements need to be finalized, Alleghany expects that the material terms will be consistent with the terms set forth above.

In addition, Alleghany intends to enter into a retention agreement with Mr. Sapnar (who did not receive an Offered Retention Agreement) that will become effective upon the consummation of the merger. The retention agreement with Mr. Sapnar will provide that he is to be the President and Chief Executive Officer of Transatlantic (as a subsidiary of Alleghany) upon the consummation of the merger and will provide other terms that are substantially similar to the terms provided under the proposed Alleghany Retention Agreements described above, except that Mr. Sapnar's retention award will likely vest in full on the third anniversary of the date of grant subject to his continued employment (other than pro-rata vesting upon a termination without Cause, or due to death or Disability or by the executive with Good Reason). Alleghany expects that Mr. Sapnar's retention award amount and/or Supplemental Award (as described below) will have an aggregate

**Table of Contents**

value of \$5,000,000, with both the retention award and the Supplemental Award being subject to substantially the same vesting terms. Although the terms of the proposed retention agreement with Mr. Sapnar need to be finalized and at the present time Mr. Sapnar does not have the right to receive any retention benefits, Alleghany expects that the material terms will be consistent with the terms set forth above.

***Equity-Based Compensation for Fiscal Year 2012 and Thereafter***

Management of Transatlantic and Alleghany has been in discussions regarding ongoing, ordinary course, long-term incentive benefits for Transatlantic's (as a subsidiary of Alleghany) continuing executive officers. It is currently contemplated that Alleghany will continue a long-term incentive program for ongoing executive officers with annual grants of phantom equity awards deemed to be notionally invested in common units of Transatlantic (as a subsidiary of Alleghany) that will, subject to continued employment through the vesting date, vest in full on the fourth anniversary of the date of grant. It is further contemplated that the target fair value (within the meaning of Accounting Standards Codification No. 718) of each executive officer's annual long-term award that will be granted in 2012 will not be less than the target fair value of the annual equity grant made by Transatlantic to each such executive officer in respect of 2011. The actual terms and level of grants for the ongoing long-term incentive program have not yet been finalized and no grants have been made to date. In addition, Alleghany intends to grant a one-time supplemental long-term incentive award to each of the executive officers (the Supplemental Award) in 2012 that will, subject to continued employment through the vesting date, vest in full on the third anniversary of the date of grant. Alleghany currently contemplates that the Supplemental Awards for executive officers will have the following values: Mr. Bonny, \$1,000,000; Mr. Skalicky, \$750,000; Mr. Vijil, \$750,000; Mr. Schwartz, \$750,000; Mr. Apfel, \$1,000,000; and Mr. Cholnoky, \$625,000. It is expected that if Mr. Sapnar receives a Supplemental Award, it, in combination with any retention award as described above, will have an aggregate value of \$5,000,000.

***Treatment of Equity Awards***

Each outstanding stock option to acquire Transatlantic common stock held by an executive officer of Transatlantic, whether vested or unvested, will be converted into the right to receive a cash payment equal to the value of such stock option based on an amount determined using the Black-Scholes valuation methodology based on assumptions that are agreed upon by Transatlantic and Alleghany. Based on preliminary assumptions, Messrs. Schwartz, Apfel and Cholnoky, executive officers who are not listed in the Golden Parachute Compensation Table, will receive approximately \$186,642, \$343,016, and \$0, respectively, with respect to the conversion of their outstanding stock options into a cash payment.

Each outstanding Transatlantic restricted stock unit held by an executive officer of Transatlantic (including each performance-based Transatlantic restricted stock unit) will be converted into a right to receive cash in an amount equal to the per share merger consideration, with the same terms and conditions as were applicable under such restricted stock unit prior to the conversion (including vesting or forfeiture provisions), with the cash value of the converted Transatlantic restricted stock units deemed to be notionally invested in common units of the surviving company.

Outstanding Transatlantic restricted stock units held by an executive officer of Transatlantic that are subject to performance goals for which the performance period is not completed as of the closing date of the merger will be treated as follows: (i) the level of achievement of the applicable performance goal for any performance-based Transatlantic restricted stock unit with a performance period that ends on or prior to the date that is nine months following the closing date of the merger will be determined based on actual performance through the closing date of the merger; and (ii) the level of achievement of the applicable performance goal for any performance-based Transatlantic restricted stock unit with a performance period that ends more than nine months following the closing date of the merger will be deemed to be earned at target level. The performance goals for each cash-settled performance-based Transatlantic unit that was granted in 2011 will be treated in the same manner as the performance-based Transatlantic restricted stock units, as described in the immediately prior sentence. Assuming that the merger is completed January 4, 2012 and that the employment of each of the executive officers (other than the named executive officers) is terminated without Cause (as defined in the applicable plan) or as a result

**Table of Contents**

of resignation with Good Reason (as defined in the applicable plan), in each case immediately following the completion of the merger, Messrs. Schwartz, Apfel and Chohnoky would receive approximately \$2,824,632, \$3,738,635 and \$724,784, respectively (assuming conversion at the target level for purposes of performance-based restricted stock units and cash-settled performance-based Transatlantic units that will be converted into time-based awards), with respect to their outstanding restricted stock units. However, Transatlantic does not currently expect the employment of its executive officers to be terminated at or following the closing of the merger in a manner that would cause the accelerated vesting of their outstanding restricted stock units.

Each outstanding Transatlantic restricted stock unit held by a non-employee director of Transatlantic will be converted into a fully vested right to receive cash in an amount equal to the per share merger consideration and will be paid in cash at the time specified under the Transatlantic 2008 Non-Employee Directors Stock Plan, with amounts in respect of Transatlantic restricted stock units held by non-employee directors who continue service with the Alleghany board of directors following the closing date of the merger to be deemed notionally invested in common stock of Alleghany until the date of distribution to such non-employee director. As of January 4, 2012, Transatlantic's non-employee directors held, in the aggregate, 20,134 outstanding vested restricted stock units with an aggregate value of \$1,006,700, and a total of 21,266 outstanding unvested restricted stock units with an aggregate value of \$1,063,300.

Pursuant to Transatlantic's equity programs, including outstanding equity awards and outstanding cash-settled performance-based Transatlantic units that were granted in 2011 that were granted pursuant to Transatlantic's 2003 Stock Incentive Plan, 2009 Long Term Equity Incentive Plan, Partners Plan and Senior Partners Plan, participants, including all of Transatlantic's executive officers, are entitled to certain equity acceleration upon a termination without Cause or with Good Reason (as defined in the applicable plan), if applicable, within 24 months of a Change in Control (as defined the applicable plan). The merger constitutes a Change in Control under Transatlantic's equity programs. The proposed Alleghany Retention Agreements referenced above may also provide for accelerated vesting under the same or similar circumstances, but such Alleghany Retention Agreements have yet to be finalized.

***Transatlantic Executive Severance Plan***

Whether or not the merger occurs, Transatlantic's executives, including all of its executive officers, are entitled to certain payments in connection with certain terminations of employment. Under the Transatlantic Executive Severance Plan (which we refer to as the ESP) severance protection is provided to senior executives who participate in the Transatlantic Partners or Senior Partners Plan. Amounts payable to named executive officers pursuant to the ESP upon a qualifying termination of employment are not contingent on a change in control of Transatlantic and therefore are not included in the Golden Parachute Compensation Table below. Upon a termination by Transatlantic without Cause (as defined in the ESP) or, with respect to certain executive officers, including all of the executive officers, by the executive for Good Reason (as defined in the ESP), in addition to accrued wages and expense reimbursement, eligible employees will be entitled to receive the following each month during the applicable severance period (30 months for the CEO and 24 months for Transatlantic's other executive officers):

severance in an amount equal to one-twelfth the sum of: (i) the participant's annual base salary in the year of termination, (ii) any supplemental or quarterly cash bonus payable to such participant in respect of the year of termination, and (iii) the average of the participant's annual cash bonus awards earned and paid with respect to the three most recently completed fiscal years;

continued vesting of restricted stock units, earned but unvested performance restricted stock units and options as though there had been no termination of employment;

continued participation in Transatlantic's health plan at active employee rates and continued service credit for eligibility and company contribution levels for purposes of the retiree health plan;

continued vesting and accrual of additional non-qualified pension credits; and



---

**Table of Contents**

continued life insurance and retiree health plan coverage at active employee rates including continued service credit for eligibility and company contribution levels in such plans.

Prior to receiving any severance payments, participants would be required to execute a general release of claims that also contains the following restrictions that, except as noted, apply at all times following termination:

Each participant is generally prohibited from (i) engaging in, being employed by, rendering services to or acquiring financial interests in any business that is competitive with Transatlantic, (ii) interfering with Transatlantic's business relationships with customers, suppliers, or consultants, or (iii) soliciting or hiring certain key employees of Transatlantic. These restrictions apply for the shorter of one year after termination or the length of the applicable severance period.

Each participant must not disclose Transatlantic's confidential information.

The new retention agreements referenced above will likely, consistent with the previously offered Retention Agreements, provide for a partial waiver of "Good Reason" in connection with the merger, thereby limiting the circumstances under which an executive who has the right to resign for "Good Reason" under the ESP may exercise that right.

***Orlich Transition Agreement***

In connection with the retirement of Robert F. Orlich on December 31, 2011 from the position of Chief Executive Officer of Transatlantic, Transatlantic entered into an Executive Transition Agreement with Robert F. Orlich on November 20, 2011 that provides for certain benefits upon Mr. Orlich's retirement (which we refer to as the "Transition Agreement"), as well as a Release and Restrictive Covenant Agreement (which we refer to as the "Release Agreement").

In general, the Transition Agreement provides that, upon his retirement, Mr. Orlich will become entitled to the compensation and benefits to which he would have been entitled had he terminated his employment for "Good Reason" under the applicable compensation and benefits policies of Transatlantic, including the ESP. The Transition Agreement further provides for certain limited benefits not contemplated by the ESP, including the use of office space and administrative support at Transatlantic's facilities in Stamford, Connecticut and the provision of automobile lease payments through December 31, 2013. The Transition Agreement also provides for a reduction of compensation and benefits to Mr. Orlich in the event that such reduction would avoid excise taxes under Sections 280G and 4999 of the Code and result in a better after tax outcome for Mr. Orlich. Amounts payable to Mr. Orlich pursuant to the Transition Agreement are not included in the "Golden Parachute Compensation Table" below because he is retiring prior to the completion of the merger and such amounts are not contingent on a change in control of Transatlantic. A copy of the Transition Agreement, including the Release Agreement, is attached to Transatlantic's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 23, 2011 as Exhibit 10.1.

***Golden Parachute Compensation***

As described above, each of Transatlantic's named executive officers, other than Mr. Orlich, will be offered a retention agreement pursuant to the terms described above. In addition, the merger is considered a Change in Control under Transatlantic's equity programs.

The following table sets forth the estimated amounts of "golden parachute" compensation (for purposes of Item 402(t) of Regulation S-K) that each named executive officer of Transatlantic could receive in connection with the merger. These amounts assume, where applicable, that the named executive officer is entitled to the full amount of retention benefits for which he is eligible pursuant to the terms of the applicable retention agreement (subject to change in connection with entering into and finalizing the terms of the applicable retention agreement) and the full amount of any proposed Supplemental Award. Certain of the amounts payable may vary depending

**Table of Contents**

on the actual dates on which the merger is completed and whether or not, and if so the manner in which, a named executive officer terminates employment. As a result, the actual amounts received by a named executive officer may differ in material respects from the amounts set forth below.

**Golden Parachute Compensation Table**

Name (1)	Equity						Total		
	Cash (Severance) (\$)	Single-Trigger (\$)(2)	Double-Trigger (\$)(3)(4)	Pension/ NQDC (\$)	Perquisites/ Benefits (\$)	Tax Reimbursement (\$)	Other (\$)(5)	Single-Trigger Total (\$)(6)	Single and Double-Trigger Total (\$)
Robert F. Orlich (7)	0	2,846,324	0	0	0	0	0	2,846,324	2,846,324
Steven S. Skalicky	0	1,213,631	5,819,429	0	0	0	2,250,000	3,463,631	9,283,060
Paul A. Bonny	0	1,213,631	5,785,511	0	0	0	3,000,000	4,213,631	9,999,142
Javier E. Vijil	0	1,213,631	5,518,518	0	0	0	2,250,000	3,463,631	8,982,149
Michael C. Sapnar	0	814,206	6,238,809	0	0	0	5,000,000	5,814,206	12,053,015

- As disclosed above, each named executive officer participates in the ESP, which provides for severance payments in the event of certain involuntary terminations of employment. Such severance payments are not conditioned upon nor relate to the occurrence of a change in control of Transatlantic, and the ESP does not otherwise provide for enhanced benefits in connection with a change in control. As such, the amounts payable pursuant to the ESP in the case of a covered involuntary termination of employment are not included in the table.
- As mentioned above, all outstanding options shall be converted into an obligation of Alleghany to pay cash in an amount equal to the value per share pursuant to the merger agreement (single-trigger arrangement) using the Black-Scholes option pricing model. The Black-Scholes formula is a mathematical equation developed by two prominent economists for the purpose of determining the economic value of certain options. All stock options held by the named executive officers will be fully vested by March 2012 since the executives will have satisfied the requirement to remain employed with Transatlantic for the designated period of time set forth in their options. The individual amounts disclosed in the table reflect the estimated additional value each named executive officer is getting with respect to vested options as a result of such options being cashed out based on the Black-Scholes value, calculated as follows: the number of vested options outstanding as of the merger, multiplied by (i) for options that have an exercise price that is greater than the per share amount, the Black-Scholes value, calculated pursuant to the terms of the merger agreement; and (ii) for options that have an exercise price that is less than the per share amount, the difference between the Black-Scholes value, calculated pursuant to the terms of the merger agreement, and the spread for such options (i.e., the positive difference between the per share amount and the exercise price).
- As described above, pursuant to Transatlantic's equity programs the named executive officers are entitled to certain equity acceleration upon a termination without Cause or with Good Reason (as each is defined in the applicable plan), if applicable, within 24 months of a Change in Control (as defined in the applicable plan) (double-trigger arrangement). The value of the double-trigger-acceleration of the named executive officers' outstanding restricted stock units (including cash-settled performance-based Transatlantic units that were granted in 2011) disclosed in the table assumes conversion of the performance-based restricted stock unit awards into time-based awards at target level performance, as described in greater detail in the discussion above entitled Treatment of Equity Awards and in footnote (4). The value of the acceleration of outstanding restricted stock units disclosed in the table applies to all unvested restricted stock units (including cash-settled performance-based Transatlantic units that were granted in 2011) as of January 4, 2012. The value of a restricted stock unit is based on the average closing market price of a share of Transatlantic's common stock over the first five business days following the first public announcement of the merger, which was November 21, 2011. The values set forth in the table have also been calculated assuming that the probability of an involuntary termination of employment in connection with the merger is 100%. However, as disclosed above, Transatlantic does not currently expect the employment of its named executive officers to be terminated at or following the closing of the merger in a manner that would cause the acceleration of vesting of their outstanding restricted stock units.
- As described above, pursuant to the terms of the merger agreement, each of the named executive officers' outstanding restricted stock units that are based upon the achievement of performance goals will be treated the same as all other restricted stock units, but will first be converted into time-based restricted stock units upon consummation of the merger based upon (i) actual performance levels as of immediately prior to the closing date of the merger for those outstanding

**Table of Contents**

- performance awards with a performance period that will end during the nine month period following the closing date of the merger, and (ii) target performance levels for all other outstanding performance awards. The performance goals for each cash-settled performance-based Transatlantic unit that was granted in 2011 will be treated in the same manner as the performance-based Transatlantic restricted stock units, as described in the immediately prior sentence. With respect to fiscal years 2009, 2010 and 2011, restricted stock units that were based upon the achievement of performance goals (including cash-settled performance-based Transatlantic units that were granted in 2011) for which the performance period has ended have been earned at or above target levels. It has therefore been assumed that the conversion to time-based restricted stock units as provided for in the merger agreement will not result in additional value to the named executive officers for the purposes of the table and the table above does not reflect any additional value in connection with such conversion.
- (5) As disclosed above, for Messrs. Skalicky, Bonny and Vijil, a portion of these amounts, \$1,500,000, \$2,000,000 and \$1,500,000, respectively, assume that the applicable named executive officer is entitled to the full amount of cash retention benefits for which each may become eligible under the proposed Alleghany Retention Agreements, upon the execution of the Alleghany Retention Agreements, subject to continued employment through the applicable vesting date. These amounts would also be paid out, on a pro rata basis pursuant to the proposed Alleghany Retention Agreement upon termination of employment by Transatlantic (as a subsidiary of Alleghany) without Cause, or due to death or Disability or by the executive with Good Reason (each as defined in the applicable Alleghany Retention Agreement) prior to December 31, 2013. The terms that are ultimately agreed upon between Alleghany and these individuals may differ once the Alleghany Retention Agreements are finalized. Messrs. Skalicky, Bonny and Vijil are expected to be granted Supplemental Awards in connection with future services to address a change in the equity program. Alleghany currently contemplates that the Supplemental Awards will, subject to continued employment through the vesting date, vest on the third anniversary of the date of grant and will vest on a pro rata basis generally upon termination by Transatlantic (as a subsidiary of Alleghany) without Cause, or due to death or Disability prior to the applicable vesting date. As disclosed above (and included in this column), Alleghany currently contemplates that following completion of the merger Messrs. Skalicky, Bonny and Vijil will be granted Supplemental Awards equal to \$750,000, \$1,000,000 and \$750,000, respectively. With respect to Mr. Sapnar, Alleghany currently expects that Mr. Sapnar will receive a retention award and/or Supplemental Award (as each are described above) having an aggregate value of \$5,000,000, with any retention award and Supplemental Award being subject to substantially the same vesting terms as described above for Mr. Sapnar's retention award.
- (6) This column includes the aggregate values of the single trigger equity column and the other column, which discloses the full value of the previously offered or currently proposed retention agreement, as applicable. As disclosed in footnote (5), the amounts in the other column are subject to change upon finalizing the retention agreements and Supplemental Awards.
- (7) As disclosed above, Mr. Orlich retired on December 31, 2011. Pursuant to the ESP and the terms of his Transition Agreement, Mr. Orlich will continue to vest in his outstanding equity for 30 months following his retirement. Mr. Orlich's awards that are outstanding upon the closing of the merger will be subject to the treatment provided in the merger agreement. Accordingly, Mr. Orlich's options will be cashed out, as described in footnote 2, above, and his restricted stock units will be converted into a right to receive the per share amount, subject to ongoing vesting and will be deemed invested in common units of the surviving company. Mr. Orlich, will not, however, be entitled to the accelerated vesting provisions described in footnote 3, above. Thus, only the value of the cash-out of Mr. Orlich's options has been reflected in the table above.

**Alleghany Board of Directors and Management Following the Merger**

Alleghany has agreed to take all necessary action to cause, effective at the effective time of the merger, the number of directors on the Alleghany board of directors to be increased from 11 to 14 and three persons who were members of the Transatlantic board of directors immediately prior to the effective time of the merger as mutually agreed by Alleghany and Transatlantic to be elected to the Alleghany board of directors. The Alleghany

---

**Table of Contents**

board of directors has three classes of directors, with one of such classes elected each year. One of the three Transatlantic directors shall become a Class I director, another a Class II director and the third a Class III director.

Following completion of the merger, Michael C. Sapnar will retain his current roles as Transatlantic's President and chief executive officer of Transatlantic. Robert F. Orlich, who retired as Transatlantic's chief executive officer at the end of 2011, will serve on the board of managers of and as a senior advisor to Transatlantic. The foregoing director elections and officer appointments are conditioned upon completion of the merger. In addition, following completion of the merger, Joseph P. Brandon, former chief executive of Berkshire Hathaway's wholly owned subsidiary General Re Corporation, will serve as President of AIHL, Executive Vice President of Alleghany, and Chairman of the board of directors of Transatlantic Holdings, Inc. The board of directors of Transatlantic Holdings, Inc. following completion of the merger will consist of Weston M. Hicks, Michael C. Sapnar, Roger B. Gorham, Joseph P. Brandon and Robert F. Orlich. In the event that the merger is not completed, the foregoing director elections and officer appointments will not take effect.

**Regulatory Clearances Required for the Merger**

Alleghany and Transatlantic have each agreed to take actions in order to obtain regulatory clearance required to consummate the merger. Regulatory clearance required to complete the merger includes expiration or termination of the required waiting period under the HSR Act, following required notifications and review by the Antitrust Division or the FTC. The parties filed the required notifications with the Antitrust Division and the FTC on December 8, 2011, and the FTC granted early termination of the applicable waiting period on December 16, 2011. Alleghany and Transatlantic have also filed notifications with the relevant competition authorities in Italy and Turkey.

In addition, the parties are also required to make filings with and/or obtain approvals from certain U.S. and non-U.S. insurance regulatory authorities (which we refer to as Insurance Authorities). Receipt of approval by the New York DFS is a condition to completion of the merger. All other consents of or filings with insurance regulators shall have been obtained or made except where the failure to obtain such consents or make such filings would not reasonably be expected to be materially adverse to Alleghany and its subsidiaries, taken as a whole, or Transatlantic and its subsidiaries, taken as a whole (after giving effect to the merger).

The U.S. insurance company subsidiaries of Transatlantic are domiciled in the State of New York. As such, the merger requires a filing with, and approval of, the New York DFS. Generally, a person seeking to acquire voting securities, such as common stock, in an amount that would result in such person controlling, directly or indirectly, a New York domestic insurer must, together with any person ultimately controlling such person, file an Application for Approval of Acquisition of Control of a domestic insurer (which we refer to as a Form A), with the New York DFS and send a copy of such Form A to the domestic insurer. Alleghany has made a Form A filing with the New York DFS.

Although a public hearing is not required for the approval of a Form A in the State of New York, the New York Superintendent does have the discretion to hold such a public hearing. The New York Insurance Law requires the New York DFS to approve a Form A unless it determines that such application should be disapproved on one or more prescribed regulatory grounds. There is no statutorily prescribed period in which the New York DFS must render a decision with respect to a Form A. The New York DFS has discretion to request that Alleghany furnish additional information before it deems the Form A filing complete.

TRZ, a subsidiary of Transatlantic, is a Swiss regulated reinsurer and prior notification of its indirect change of control as a result of the merger is required to be provided to the Swiss Financial Market Supervisory Authority (which we refer to as FINMA). FINMA may prohibit the merger, impose conditions on the merger or provide a statement of non-objection in regard to the merger. Prior to the closing of the merger, the parties will make the required filings with, and seek to obtain the necessary approval from, FINMA.

## **Table of Contents**

In addition to Switzerland, Transatlantic's subsidiaries conduct operations in a number of other non-U.S. jurisdictions where insurance regulatory filings or approvals are required in connection with the consummation of the merger. In that regard, Transatlantic has made or expects to make formal filings with, or has sought or expects to seek approvals from, the Insurance Authorities in certain other U.S. and non-U.S. jurisdictions, including, without limitation, Argentina, Australia, Brazil, Germany, Gibraltar and Hong Kong. Moreover it is possible that Insurance Authorities in other non-U.S. jurisdictions may require additional filings or information or require the parties to obtain their approval of the merger. No insurance regulatory authority has indicated to Alleghany or Transatlantic that a hearing will be required in connection with the aforementioned regulatory filings and approvals, however, pursuant to their regulatory authority, one or more Insurance Authorities may hold a hearing as part of their consideration of the filings.

While Alleghany and Transatlantic expect to obtain all required regulatory clearances, we cannot assure you that these regulatory clearances will be obtained or that the granting of these regulatory clearances will not involve the imposition of additional conditions on the completion of the merger, including the requirement to divest assets, or require changes to the terms of the merger agreement. These conditions or changes could result in the conditions to the merger not being satisfied.

Alleghany and Transatlantic cannot assure you that the Antitrust Division, FTC or other government agencies, including state attorneys general or private parties, will not initiate actions to challenge the merger before or after it is completed. Any such challenge to the merger could result in a court order enjoining the merger or in the imposition of restrictions or conditions that would have a material adverse effect on Alleghany if the merger is completed. Such restrictions and conditions could include requiring the divestiture or spin-off of assets or businesses. Under the terms of the merger agreement, each of Alleghany and Transatlantic is required to commit to any divestitures or similar arrangements with respect to its assets or conduct of business arrangements if that divestiture or arrangement is a condition to obtain any clearance or approval from any governmental entity in order to complete the merger. Unless required by law, no additional stockholder approval is expected to be required or sought for any decision by Alleghany and Transatlantic after the Alleghany special meeting and the Transatlantic special meeting to agree to any terms and conditions necessary to resolve any regulatory objections to the merger.

### **Treatment of Transatlantic Stock Options and Other Long-Term Incentive Awards**

Each outstanding stock option to acquire Transatlantic common stock, whether vested or unvested, will be converted into the right to receive a cash payment equal to the value of such stock option based on an amount determined using the Black-Scholes valuation methodology based on assumptions that are agreed upon by Transatlantic and Alleghany.

Each outstanding Transatlantic restricted stock unit held by an employee of Transatlantic (including each performance-based Transatlantic restricted stock unit) will be converted into a right to receive cash in an amount equal to the per share merger consideration, with the same terms and conditions as were applicable under such restricted stock unit prior to the conversion (including vesting or forfeiture provisions), with (i) the cash value of the converted Transatlantic restricted stock units held by employees of Transatlantic who were designated as participants in a Partners Plan to be deemed to be notionally invested in common units of the surviving company or (ii) the cash value of the converted Transatlantic restricted stock units held by employees of Transatlantic who were not designated as participants in a Partners Plan may, if so elected by such employee, be deemed to be notionally invested in common units of the surviving company.

Outstanding Transatlantic restricted stock units held by Transatlantic employees that are subject to performance goals for which the performance period is not completed as of the closing date of the merger will be treated as follows: (i) the level of achievement of the applicable performance goal for any performance-based Transatlantic restricted stock unit with a performance period that ends on or prior to the date that is nine months following the closing date of the merger will be determined based on actual performance through the closing date

## **Table of Contents**

of the merger; and (ii) the level of achievement of the applicable performance goal for any performance-based Transatlantic restricted stock unit with a performance period that ends more than nine months following the closing date of the merger will be deemed to be earned at target level.

Each outstanding Transatlantic restricted stock unit held by a non-employee director of Transatlantic will be converted into a fully vested right to receive cash in an amount equal to the per share merger consideration and will be paid in cash at the time specified under the Transatlantic 2008 Non-Employee Directors Stock Plan, with amounts in respect of Transatlantic restricted stock units held by non-employee directors who serve on the Alleghany board of directors following the closing date of the merger to be deemed notionally invested in common stock of Alleghany until the date of distribution to such non-employee director.

## **Dividends**

The holders of Alleghany common stock will receive dividends if and when declared by the Alleghany board of directors out of legally available funds or, in the case of stock dividends, out of authorized and available shares of its common stock. Alleghany declared a 2% stock dividend on February 25, 2011, which dividend was paid on April 29, 2011 to holders of record on April 1, 2011. The Alleghany board of directors has determined that no stock or cash dividend will be declared during the pendency of the merger.

Alleghany is prohibited by the terms of the merger agreement from repurchasing shares of its common stock during the pendency of the merger.

Transatlantic is permitted to pay to its holders of common stock the \$0.22 per share dividend previously declared and payable to its holders of record on November 16, 2011 (which dividend was paid on December 2, 2011), but is otherwise prohibited by the terms of the merger agreement from declaring or paying any dividends during the pendency of the merger. Transatlantic is also prohibited from repurchasing its shares of common stock during the pendency of the merger.

## **Listing of Alleghany Shares**

It is a condition to the completion of the merger that the shares of Alleghany common stock to be issued to Transatlantic stockholders pursuant to the merger be authorized for listing on the NYSE at the effective time of the merger.

## **De-Listing and Deregistration of Transatlantic Common Stock**

Upon completion of the merger, shares of Transatlantic common stock currently listed on the NYSE will cease to be listed on the NYSE and will subsequently be deregistered under the Exchange Act.

## **Appraisal Rights**

Depending upon the elections made by the holders of shares of Transatlantic common stock with respect to the forms of consideration to be received in the merger, Delaware law may entitle the holders of shares of Transatlantic common stock, who follow the procedures specified in Section 262, to have their shares appraised by the Delaware Court of Chancery and to receive the fair value of such shares as of completion of the merger in place of the merger consideration, as determined by the court. Specifically, holders, if any, of shares of Transatlantic common stock who make a stock election (as more fully explained below under *The Merger Agreement Consideration To Be Received in the Merger Stock Election* ) but who are forced to accept cash consideration in respect of such shares by reason of proration (and not simply cash in lieu of fractional shares) (as more fully explained below under *The Merger Agreement Consideration To Be Received in the Merger Proration* ), would be entitled to have such shares appraised by the Delaware Court of Chancery if they comply with the procedures described below.

---

**Table of Contents**

In order to preserve the ability to exercise such rights, a holder must demand and perfect appraisal rights in accordance with Section 262.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed in order to perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262, the full text of which appears in Annex G to this joint proxy statement/prospectus.

Section 262 requires that stockholders be notified that appraisal rights will be available not less than 20 days before the meeting of stockholders to vote on the adoption of the merger agreement. A copy of Section 262 must be included with such notice. This document constitutes Transatlantic's notice to the holders of shares of Transatlantic common stock of the potential availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If you are a Transatlantic stockholder and wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Annex G to this document since failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under Delaware law.

Any Transatlantic stockholder wishing to exercise the right to demand appraisal under Section 262 must satisfy the following three conditions:

deliver to Transatlantic a written demand for appraisal of your shares of Transatlantic common stock before the vote with respect to the adoption of the merger agreement is taken;

not vote in favor of the adoption of the merger agreement. A proxy that does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement. Therefore, a Transatlantic stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against adoption of the merger agreement or abstain from voting on the merger agreement. However, voting against, abstaining from voting on or failing to vote on the proposal to adopt the merger agreement will not constitute a written demand for appraisal within the meaning of Section 262. The written demand for appraisal must be made in addition to and separate from any proxy you deliver or vote you cast in person; and

continuously hold your shares of Transatlantic common stock through the completion of the merger.

If you fail to comply with these three conditions and the merger is completed, you will be entitled to receive the merger consideration for your shares of Transatlantic common stock as provided for in the merger agreement, but you will have no appraisal rights with respect to your shares of Transatlantic common stock.

All demands for appraisal should be addressed to the Secretary of Transatlantic at 80 Pine Street, New York, NY 10005 before the vote on the merger agreement is taken at the Transatlantic special meeting, and must be executed by, or on behalf of, the record holder of the shares for which appraisal rights are being exercised. The demand must reasonably inform Transatlantic of the identity of the holder and the intention of the holder to demand appraisal of his, her or its shares of Transatlantic common stock.

If your shares of Transatlantic common stock are held of record through a broker, bank, nominee or other third party and you wish to demand appraisal rights, you must act promptly to instruct the applicable broker, bank nominee or other third party to follow the steps summarized in this section. If your shares of Transatlantic common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in that capacity. If your shares of Transatlantic common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a bank, brokerage firm or other nominee, who holds shares of

## Table of Contents

Transatlantic common stock as a nominee for others, may exercise his or her right of appraisal with respect to the shares of Transatlantic common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of Transatlantic common stock as to which appraisal is sought. Where no number of shares of Transatlantic common stock is expressly mentioned, the demand will be presumed to cover all shares of Transatlantic common stock held in the name of the record owner.

Within ten days after the effective date of the merger, Alleghany must give written notice that the merger has become effective to each Transatlantic stockholder who has properly filed a written demand for appraisal. At any time within sixty days after the effective date, any holder who has demanded an appraisal has the right to withdraw the demand and to accept the merger consideration in accordance with the merger agreement for his or her shares of Transatlantic common stock. Within 120 days after the effective date, either Alleghany or any holder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all holders entitled to appraisal. Alleghany has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a Transatlantic stockholder to file such a petition within the period specified could nullify the Transatlantic stockholder's previously written demand for appraisal. In addition, within 120 calendar days after the effective time of the merger, any stockholder who properly complied with the requirements of Section 262 will be entitled to receive from Transatlantic, upon request, a statement setting forth the aggregate number of shares of Transatlantic common stock not voted or consented in favor of adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. A person who is the beneficial owner of shares of Transatlantic common stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file such a petition or request the statement described in the preceding sentence.

If a petition for appraisal is duly filed by a holder and a copy of the petition is delivered to Transatlantic, Transatlantic will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Chancery Court with a duly verified list containing the names and addresses of all holders who have demanded an appraisal of their shares. After notice to dissenting Transatlantic stockholders, the Chancery Court is empowered to conduct a hearing upon the petition, and to determine those Transatlantic stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Chancery Court may require the Transatlantic stockholders who have demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any Transatlantic stockholder fails to comply with that direction, the Chancery Court may dismiss the proceedings as to that Transatlantic stockholder.

After determination of the Transatlantic stockholders entitled to appraisal of their shares, the Chancery Court will appraise the shares of Transatlantic common stock, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger. Unless the Chancery Court in its discretion determines otherwise for good cause shown, interest from the effective time of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5.0% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the merger and the date of payment of the judgment. When the value is determined, the Chancery Court will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Chancery Court so determines, to the holders entitled to receive the same, upon surrender by such holders of the certificates representing those shares of Transatlantic common stock.

In determining fair value, the Chancery Court is required to take into account all relevant factors. You should be aware that an investment banking opinion as to the fairness from a financial point of view of the consideration to be received in a transaction such as the merger is not an opinion as to fair value under Section 262. **Although we believe that the per share merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Chancery Court and stockholders should recognize that such an appraisal could result in determination of a value higher or lower than, or**



**Table of Contents**

**the same as, the per share merger consideration.** Moreover, we do not anticipate offering more than the per share merger consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of Transatlantic common stock is less than the per share merger consideration.

In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation of the merger. In *Weinberger*, the Delaware Supreme Court also stated that elements of future value, including the nature of the enterprise, which are known or susceptible as proof as of the date of the Merger and not the product of speculation, may be considered. In addition, the Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenting stockholder's exclusive remedy.

Costs of the appraisal proceeding may be imposed upon the parties participating in the appraisal proceeding by the Chancery Court as the Chancery Court deems equitable in the circumstances. Upon the application of a Transatlantic stockholder, the Chancery Court may order all or a portion of the expenses incurred by any Transatlantic stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any Transatlantic stockholder who has demanded appraisal rights will not, after the effective date, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective date.

At any time within 60 days after the effective time of the merger, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party will have the right to withdraw his, her or its demand for appraisal and to accept the terms offered in the merger agreement. After this period, a stockholder may withdraw his, her or its demand for appraisal and receive payment for his, her or its shares as provided in the merger agreement only with Transatlantic's written consent. No appraisal proceeding in the Chancery Court will be dismissed as to any stockholder without the approval of the Chancery Court, and such approval may be conditioned upon such terms as the Chancery Court deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the merger consideration offered pursuant to the merger agreement within 60 days after the effective time of the merger. If Transatlantic does not approve a request to withdraw a demand for appraisal when that approval is required, or, except with respect to any stockholder who withdraws such stockholder's right to appraisal in accordance with the proviso in the immediately preceding sentence, if the Chancery Court does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be more or less than, or equal to, the consideration being offered pursuant to the merger agreement. If no petition for appraisal is filed with the court within 120 days after the effective time of the merger, stockholders' rights to appraisal (if available) will cease. Inasmuch as Transatlantic has no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis.

Under the merger agreement, if any dissenting Transatlantic stockholder fails to perfect or has effectively withdrawn or lost its appraisal rights before the election deadline, each of such holder's shares of Transatlantic

**Table of Contents**

common stock will be deemed to be non-election shares unless such stockholder makes a valid election before the election deadline. If any dissenting Transatlantic stockholder fails to perfect or has effectively withdrawn or lost its appraisal rights after the election deadline, each of such holder's shares of Transatlantic common stock will be converted, as of the effective time of the merger, into the right to receive only the stock consideration or only the cash consideration or a combination of both the stock consideration and the cash consideration, as determined by Alleghany in its sole discretion. For further details on the election deadline, non-election shares, the effective time, stock consideration and cash consideration, see The Merger Agreement Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration, Effective Time and Completion of the Merger and Consideration To Be Received in the Merger.

As of the date of the mailing of this joint proxy statement/prospectus, we cannot definitively state whether appraisal rights will be available as a result of the merger because (i) the availability of appraisal rights depends on whether the cash consideration is undersubscribed to the extent that appraisal rights would be available, and (ii) we will not know whether the cash consideration is undersubscribed to the extent that appraisal rights would be available until the election deadline (as more fully explained below under The Merger Agreement Consideration To Be Received in the Merger). In the event that the cash consideration is undersubscribed to the extent that appraisal rights would be available, Transatlantic stockholders who have otherwise complied with the requirements of Section 262 will be advised of the availability of appraisal rights within 10 days of the merger in the notice of the effective date of the merger required by Section 262. If the cash consideration is not undersubscribed to the extent that appraisal rights would be available, Alleghany will issue a public announcement and file a Form 8-K with the SEC informing Transatlantic stockholders that appraisal rights will not be available in connection with the merger. If you wish to preserve the ability to exercise appraisal rights, you must make a written demand for appraisal of your shares as described above.

In view of the complexity of Section 262, holders of shares of Transatlantic common stock who may wish to dissent from the merger and pursue appraisal rights should promptly consult their legal advisors.

**Litigation Related to the Merger**

On November 22, 2011, a putative stockholder class action lawsuit was filed against Transatlantic, Transatlantic's directors, Alleghany, and Shoreline Merger Sub, LLC in New York State court in connection with the merger agreement: *Clark v. Transatlantic Holdings, et al.*, Index No. 653256/2011 (Supreme Court of the State of New York, County of New York). The lawsuit asserts that the members of the Transatlantic board of directors breached a fiduciary duty in connection with the approval of the merger with Alleghany and that Transatlantic, Alleghany and Shoreline Merger Sub, LLC aided and abetted the alleged breaches of fiduciary duty. Transatlantic, Alleghany and their respective directors believe this lawsuit is without merit and intend to defend it vigorously.

Five putative stockholder class action lawsuits were filed against Transatlantic and its directors in connection with the since-terminated Allied World Merger Agreement. Three of the putative stockholder class action lawsuits were filed against Transatlantic and Transatlantic's directors in New York State court: *Clark v. Transatlantic Holdings, Inc., et al.*, Index No. 651706/2011 (Supreme Court of the State of New York, County of New York), *Sutton v. Transatlantic Holdings, Inc., et al.*, Index No. 651705/2011 (Supreme Court of the State of New York, County of New York), and *Jaroslawicz v. Transatlantic Holdings, Inc., et al.*, Index No. 651718/2011 (Supreme Court of the State of New York, County of New York). These lawsuits assert that the members of the Transatlantic board of directors breached a fiduciary duty in connection with the approval of the proposed merger with Allied World and that Allied World and its subsidiaries aided and abetted the alleged breaches of fiduciary duty. On October 18, 2011 the parties stipulated that each of these actions would be discontinued without prejudice. The other two putative stockholder class action lawsuits were filed against Transatlantic and Transatlantic's directors in the Delaware Court of Chancery: *Ivers v. Transatlantic Holdings, Inc., et al.*, C.A. No. 6574-CS (Court of Chancery of the State of Delaware) and *Kramer v. Transatlantic Holdings, Inc., et al.*, C.A. No. 6626-VCP (Court of Chancery of the State of Delaware). The Delaware actions were subsequently consolidated and, on October 10, 2011, the Delaware plaintiffs filed a second consolidated amended complaint.

---

**Table of Contents**

The lawsuit generally alleges that Transatlantic's directors breached their fiduciary duties in connection with the approval of the merger, the approval of certain deal protection measures, the failure to rescind the stockholders rights plan, the approval of certain payments to Allied World in connection with the termination of the Allied World Merger Agreement and the approval of Transatlantic's share repurchase program, and that Allied World and its subsidiary aided and abetted certain such breaches of fiduciary duty. On December 19, 2011, the Court granted the Delaware plaintiffs' motion to file a third consolidated amended complaint. On December 21, 2011, the Delaware plaintiffs filed their third consolidated amended complaint. This third consolidated amended complaint adds Alleghany and Shoreline Merger Sub, LLC as defendants, and alleges that the members of the Transatlantic board of directors breached a fiduciary duty in connection with the approval of the merger with Alleghany and that Alleghany and Shoreline Merger Sub, LLC aided and abetted the alleged breaches of fiduciary duty. In addition, this third consolidated amended complaint retains its allegations against Allied World and its subsidiaries. Transatlantic and its directors believe these lawsuits are without merit and intend to defend them vigorously.

On August 10, 2011, Validus filed a complaint in the Delaware Court of Chancery against Transatlantic, Transatlantic's directors, Allied World and one of Allied World's subsidiaries. The complaint alleges, among other things, that Transatlantic's directors breached their fiduciary duties (and that Allied World and its subsidiary aided and abetted such breaches) (i) by requiring Validus to execute a confidentiality agreement containing a standstill provision prior to engaging in negotiations with Validus and (ii) by making allegedly false, misleading and incomplete disclosures in connection with seeking Transatlantic stockholder approval of the Allied World merger. On August 16, 2011, Validus filed a Motion for Preliminary Injunction and a Motion for Expedited Proceedings. Transatlantic opposed Validus's Motion for Expedited Proceedings. On August 24, 2011, Validus withdrew its motion for expedited proceedings. On September 6, 2011, Transatlantic and the Transatlantic directors moved to dismiss the complaint. On November 18, 2011, Transatlantic answered the complaint. Transatlantic and its directors believe this lawsuit is without merit and intend to defend against it vigorously.

On July 28, 2011, Transatlantic filed a lawsuit in the United States District Court for the District of Delaware against Validus alleging that Validus violated Sections 14(a) and (e) of the Exchange Act and Section 11 of the Securities Act by making materially false and/or misleading statements in its proxy and tender offer materials filed with the SEC. The lawsuit seeks, among other relief, an order: (i) compelling Validus to correct the material misstatements and omissions it has made in connection with both its proxy and tender offer materials; and (ii) prohibiting Validus from acquiring or attempting to acquire shares of Transatlantic until its misstatements have been corrected. On September 12, 2011, Transatlantic filed an amended complaint against Validus, Edward J. Noonan and Joseph E. Consolino alleging that Validus, Mr. Noonan and Mr. Consolino violated Section 14(a) of the Exchange Act by making materially false and/or misleading statements in its proxy and tender offer materials filed with the SEC and seeking a declaration that Transatlantic Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC complies with Section 14(d)(1) of the Exchange Act.

On November 18, 2011, Transatlantic filed a complaint against Validus and one of its subsidiaries in the Delaware Court of Chancery. The complaint alleges, among other things, that proposals set forth in Validus's consent solicitation materials to be delivered to Transatlantic stockholders are facially invalid under the Transatlantic charter and Delaware law. The complaint seeks a declaratory judgment that the Validus proposals are invalid and that, if Validus elects to move forward with its consent solicitation, Validus must, among other things, request a new record date and otherwise comply with the notice requirements for a consent solicitation under Transatlantic's bylaws. Also on November 18, 2011, Validus submitted to Transatlantic revised consent solicitation proposals and a request for a new record date for Validus's consent solicitation.

On November 28, 2011, Validus announced that it was withdrawing the Revised Validus Exchange Offer. On December 7, 2011, Validus delivered a letter to Transatlantic withdrawing its previous request for a record date in connection with its solicitation of written consents from Transatlantic's stockholders.

## **Table of Contents**

### **THE MERGER AGREEMENT**

The following section summarizes material provisions of the merger agreement, which is included in this joint proxy statement/prospectus as Annex A and is incorporated herein by reference in its entirety. The rights and obligations of Alleghany and Transatlantic are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this joint proxy statement/prospectus. Alleghany stockholders and Transatlantic stockholders are urged to read the merger agreement carefully and in its entirety as well as this joint proxy statement/prospectus before making any decisions regarding the merger or the stock issuance.

The merger agreement is included in this joint proxy statement/prospectus only to provide public disclosure regarding its terms and conditions as required by U.S. federal securities laws, and is not intended to provide any factual information about Alleghany or Transatlantic. The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties:

were made only for purposes of the merger agreement and as of specific dates and may be subject to more recent developments;

may not be intended as statements of fact, but rather as a way of allocating the risk between the parties in the event the statements therein prove to be inaccurate;

have been qualified by certain disclosures that were made between the parties in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement itself; and

may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

This summary is qualified in its entirety by reference to the merger agreement.

### **Terms of the Merger**

Each of the Alleghany board of directors and the Transatlantic board of directors has approved the merger agreement, which provides for the merger of Transatlantic with and into Merger Sub, a wholly owned subsidiary of Alleghany. Merger Sub will be the surviving company in the merger, and will continue to be a wholly owned subsidiary of Alleghany after the merger is completed. Each share of Alleghany common stock issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of Alleghany, and each share of Transatlantic common stock issued and outstanding at the effective time of the merger (other than shares held by Alleghany, Merger Sub or any of their respective subsidiaries, or Transatlantic, which shares shall be cancelled) will be converted into either cash or Alleghany common stock, as described below. See [Consideration To Be Received in the Merger](#).

The rights of Alleghany stockholders will continue to be governed by the Alleghany charter and the Alleghany bylaws after the completion of the merger. The rights of Transatlantic stockholders who receive Alleghany common stock as merger consideration will be governed by the Alleghany charter and the Alleghany bylaws after the completion of the merger. The merger agreement provides that Alleghany may change the structure of the merger if consented to by Transatlantic (but Transatlantic's consent cannot be unreasonably withheld). No such change may alter the amount or kind of merger consideration to be provided under the merger agreement, adversely affect holders of Transatlantic stock-based awards, adversely affect the tax consequences to Transatlantic stockholders in the merger or materially impede or delay completion of the merger.

## **Table of Contents**

### **Effective Time and Completion of the Merger**

Unless the parties agree otherwise, the closing of the merger will take place no later than the second business day after all conditions to the completion of the merger have been satisfied or waived. The merger will be effective when the parties duly file the certificate of merger with the Secretary of State of the State of Delaware, or at such later time as Alleghany and Transatlantic shall agree and specify in the certificate of merger.

Alleghany and Transatlantic currently expect the closing of the merger to occur in the first quarter of 2012. However, as the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions described in the merger agreement, it is possible that factors outside the control of Alleghany and Transatlantic could result in the merger being completed at an earlier time, a later time or not at all.

### **Consideration To Be Received in the Merger**

As a result of the merger each Transatlantic stockholder will have the right, with respect to each share of Transatlantic common stock held, to elect to receive merger consideration consisting of either cash or shares of Alleghany common stock, subject to adjustment as described below. The aggregate value of the merger consideration will fluctuate with the market price of Alleghany common stock and will be determined based on the average five-day Alleghany closing price.

Whether a Transatlantic stockholder makes a cash election, a stock election or no election, the value of the consideration that such stockholder will receive as of the completion date will be approximately equivalent based on the average five-day Alleghany closing price used to calculate the merger consideration. A chart showing the cash and stock merger consideration at various assumed average closing prices of Alleghany common stock is provided on page 4 of this document.

An election form is being mailed to Transatlantic stockholders. In order to make a valid election, Transatlantic stockholders must return their properly completed and signed election form to the exchange agent prior to the election deadline. If you are a Transatlantic stockholder and you do not return your election form by the election deadline or improperly complete or do not sign your election form, you will receive cash, shares of Alleghany common stock or a mixture of cash and shares of Alleghany common stock, based on what is available after giving effect to the valid elections made by other stockholders as well as to the adjustments described below.

If you are a Transatlantic stockholder, you may specify different elections with respect to different shares held by you (*e.g.*, if you have 100 shares, you could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

Alleghany will not issue fractional shares of Alleghany common stock pursuant to the merger agreement. Instead, each Transatlantic stockholder who would have otherwise been entitled to receive a fraction of a share of Alleghany common stock (after aggregating all shares represented by the certificates and book-entry shares delivered by such holder) shall receive an amount of cash (without interest) equal to the fractional share to which the holder is entitled multiplied by the average five-day Alleghany closing price.

The merger consideration will be adjusted appropriately and proportionally to fully reflect the effect of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination, exchange of shares or other similar event with respect to shares of Alleghany common stock or shares of Transatlantic common stock prior to the effective time of the merger.

### ***Cash Election***

The merger agreement provides that each Transatlantic stockholder who makes a valid cash election will have the right to receive, in exchange for each share of Transatlantic common stock held by such holder, an

**Table of Contents**

amount in cash equal to the per share cash amount, which is the amount obtained by adding (A) \$14.22 and (B) the product of 0.145 times the average five-day Alleghany closing price. We sometimes refer to this cash amount as the cash consideration. Based on the average of the closing sales prices of Alleghany common stock for the five trading days ending November 18, 2011, the last trading day prior to announcement of the transaction, if the merger had been completed on November 19, 2011, the cash consideration payable to each Transatlantic stockholder making a valid cash election would have been approximately \$59.51 per Transatlantic share. However, because the aggregate amount of cash to be paid to Transatlantic stockholders is fixed in the merger agreement at \$816,007,519, if more Transatlantic stockholders make valid elections to receive cash than is available as merger consideration under the merger agreement, Transatlantic stockholders electing cash consideration may have their aggregate cash consideration proportionately reduced and may receive a portion of their consideration in Alleghany common stock, despite their elections, as more fully described below under Proration.

***Stock Election***

The merger agreement provides that each Transatlantic stockholder who makes a valid stock election will have the right to receive, in exchange for each share of Transatlantic common stock held, a fraction of a share of Alleghany common stock equal to the exchange ratio, which is the quotient, rounded to the nearest one ten thousandth, obtained by dividing the per share cash amount (determined as described above) by the average five-day Alleghany closing price. We sometimes refer to such fraction of a share of Alleghany common stock as the stock consideration. Based on the average of the closing prices of Alleghany common stock for the five trading days ended November 18, 2011, the last trading day prior to announcement of the transaction, if the merger had been completed on November 19, 2011 the stock consideration payable to each Transatlantic stockholder making a valid stock election would have been 0.1905 of a share of Alleghany common stock, having a market value equal to \$59.51, based on such average five-day Alleghany closing price. However, because the aggregate amount of cash to be issued to Transatlantic stockholders is fixed in the merger agreement at \$816,007,519, if fewer Transatlantic stockholders make valid elections to receive cash than is available as merger consideration under the merger agreement, Transatlantic stockholders electing stock consideration may have their stock consideration proportionately reduced and may receive a portion of their consideration in cash, despite their elections, as more fully described below under Proration.

***Non-Election Shares***

If you are a Transatlantic stockholder and you do not make an election to receive cash or Alleghany common stock in the merger, your elections are not received by the exchange agent by the election deadline, or your election form is improperly completed and/or are not signed, you will be deemed not to have made an election. We sometimes refer to shares as to which no election or an invalid election has been made as non-election shares. Stockholders not making an election may be paid in only cash, only Alleghany common stock or a mix of cash and shares of Alleghany common stock depending on, and after giving effect to, the number of valid cash elections and stock elections that have been made by other Transatlantic stockholders using the proration adjustments described below.

***Proration***

The aggregate amount of cash to be paid to Transatlantic stockholders is fixed in the merger agreement at \$816,007,519. The total number of shares of Alleghany common stock that will be issued in the merger is approximately 8.32 million, based on the number of shares of Transatlantic common stock outstanding on November 18, 2011, the last trading day prior to announcement of the merger; provided, that if the number of shares of Transatlantic common stock outstanding increases prior to the date of completion of the merger due to the vesting of stock-settled awards or as otherwise permitted by the merger agreement, the aggregate number of shares of Alleghany common stock to be issued as consideration in the merger will be increased accordingly. If the cash consideration is either oversubscribed or undersubscribed, then certain adjustments will be made to the merger consideration to be paid to Transatlantic stockholders, in the manner described below.

## **Table of Contents**

### ***Adjustment if Cash Pool is Oversubscribed***

Stock may be issued to Transatlantic stockholders who make cash elections if the available \$816,007,519 cash pool is oversubscribed. The total number of shares of Transatlantic common stock for which valid cash elections are made is referred to as the Cash Election Number. The cash consideration will be oversubscribed if the Cash Election Number exceeds the Cash Conversion Number. The Cash Conversion Number is equal to the quotient obtained by dividing (1) \$816,007,519 by (2) the per share cash amount. For example, if the per share cash amount were \$59.00, the Cash Conversion Number would be approximately 13,830,636 (\$816,007,519 divided by \$59.00).

If the cash election is oversubscribed, then:

a Transatlantic stockholder making a stock election, no election or an invalid election will receive the stock consideration for each share of Transatlantic common stock as to which it made a stock election, no election or an invalid election; and

a Transatlantic stockholder making a cash election will receive:

cash consideration for a number of shares of Transatlantic common stock equal to the product obtained by multiplying (1) the number of shares of Transatlantic common stock for which such stockholder has made a cash election by (2) a fraction, the numerator of which is the Cash Conversion Number and the denominator of which is the Cash Election Number; and

stock consideration for the remaining shares of Transatlantic common stock for which the stockholder made a cash election.

### ***Example of Oversubscription of Cash Pool***

Assuming that:

the Cash Conversion Number was 13,500,000 (which assumes that the average five-day Alleghany closing price was equal to \$318.79), and

the Cash Election Number was 27,000,000 (in other words, only 13,500,000 shares of Transatlantic common stock can receive the cash consideration, but Transatlantic stockholders have made cash elections with respect to 27,000,000 shares of Transatlantic common stock),

then a Transatlantic stockholder making a cash election with respect to 1,000 shares of Transatlantic common stock would receive the cash consideration with respect to 500 shares of Transatlantic common stock (1,000 multiplied by 13,500,000 divided by 27,000,000) and the stock consideration with respect to the remaining 500 shares of Transatlantic common stock. Therefore, assuming that the average five-day Alleghany closing price was equal to \$318.79, that Transatlantic stockholder would receive 94 shares of Alleghany common stock and approximately \$30,479 in cash (including cash in lieu of fractional shares).

### ***Adjustment if the Cash Pool is Undersubscribed***

Cash may be paid to stockholders who make stock elections if the available \$816,007,519 cash pool is undersubscribed. If the Cash Election Number is less than the Cash Conversion Number, the cash election is undersubscribed, in which case cash may be issued to stockholders who make stock elections. The amount by which the Cash Election Number is less than the Cash Conversion Number is referred to as the Shortfall Number. If the cash election is undersubscribed, then all Transatlantic stockholders making a cash election will receive the cash consideration for all shares of Transatlantic common stock as to which they made a cash election. Transatlantic stockholders making a stock election, Transatlantic stockholders who make no election





## **Table of Contents**

and Transatlantic stockholders who failed to make a valid election will receive cash and/or Alleghany common stock based in part on whether the Shortfall Number is lesser or greater than the number of non-election shares, as described below.

***Scenario 1: Undersubscription of Cash Pool and Shortfall Number is Less than or Equal to Number of Non-Election Shares.*** If the Shortfall Number is less than or equal to the number of non-election shares, then:

a Transatlantic stockholder making a stock election will receive the stock consideration for each share of Transatlantic common stock as to which it made a stock election; and

a Transatlantic stockholder who, with respect to some or all of its shares, made no election or who did not make a valid election will receive:

the cash consideration with respect to the number of shares of Transatlantic common stock equal to the product obtained by multiplying (1) the number of non-election shares held by such Transatlantic stockholder by (2) a fraction, the numerator of which is the Shortfall Number and the denominator of which is the total number of non-election shares; and

the stock consideration with respect to the remaining non-election shares held by such stockholder.

### ***Example of Scenario 1***

Assuming that:

the Cash Conversion Number is 13,500,000 (which assumes that the average five-day Alleghany closing price was equal to \$318.79);

the Cash Election Number is 5,400,000 (in other words, 13,500,000 shares of Transatlantic common stock must be converted into cash consideration but Transatlantic stockholders have made a cash election with respect to only 5,400,000 shares of Transatlantic common stock, so the Shortfall Number is 8,100,000); and

the total number of non-election shares is 10,800,000,  
then a Transatlantic stockholder that has not made an election with respect to 1,000 shares of Transatlantic common stock would receive the per share cash consideration with respect to 750 shares of Transatlantic common stock (1,000 multiplied by 8,100,000 divided by 10,800,000) and the per share stock consideration with respect to the remaining 250 shares of Transatlantic common stock. Therefore, assuming that the average five-day Alleghany closing price was equal to \$318.79, that Transatlantic stockholder would receive 47 shares of Alleghany common stock and approximately \$45,461 in cash (including cash in lieu of fractional shares).

***Scenario 2: Undersubscription of Cash Pool and Shortfall Number Exceeds Number of Non-Election Shares.*** If the Shortfall Number exceeds the number of non-election shares, then:

a Transatlantic stockholder who made no election or who has not made a valid election will receive the cash consideration for each share of Transatlantic common stock for which it did not make a valid election; and

a Transatlantic stockholder making a stock election will receive:

Cash consideration with respect to the number of shares of Transatlantic common stock equal to the product obtained by multiplying (1) the number of shares of Transatlantic common stock with respect to which the stockholder made a stock election by (2) a fraction, the numerator of which is equal to the amount by which the Shortfall Number exceeds the number of non-election shares and the denominator of which is equal to the total number of stock election shares; and

stock consideration with respect to the remaining shares of Transatlantic common stock held by such stockholder as to which it made a stock election.

## **Table of Contents**

### ***Example of Scenario 2***

Assuming that:

the Cash Conversion Number is 13,500,000 (which assumes that the average five-day Alleghany closing price was equal to \$318.79);

the Cash Election Number is 5,400,000 (in other words, 13,500,000 shares of Transatlantic common stock must be converted into the cash consideration but Transatlantic stockholders have made a cash election with respect to only 5,400,000 shares of Transatlantic common stock, so the Shortfall Number is 8,100,000);

the number of non-election shares is 5,400,000 (so the Shortfall Number exceeds the number of non-election shares by 2,700,000); and

the number of stock election shares is 43,200,000,  
then a Transatlantic stockholder that has made a stock election with respect to 1,000 shares of Transatlantic common stock would receive the cash consideration with respect to 62.5 shares of Transatlantic common stock (1,000 multiplied by 2,700,000 divided by 43,200,000) and the stock consideration with respect to the remaining 937.5 shares of Transatlantic common stock. Therefore, assuming that the average five-day Alleghany closing price was equal to \$318.79, that Transatlantic stockholder would receive 177 shares of Alleghany common stock, and approximately \$4,019 in cash (including cash in lieu of fractional shares).

### **Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration**

The conversion of Transatlantic common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after the effective time of the merger, the exchange agent will exchange certificates representing shares of Transatlantic common stock for merger consideration to be received in the merger pursuant to the terms of the merger agreement. Computershare will be the exchange agent in the merger and will receive your election form, exchange certificates for the merger consideration and perform other duties as explained in the merger agreement.

### ***Election Form***

Transatlantic stockholders are being mailed election forms at least 20 business days prior to the election deadline so as to permit each Transatlantic stockholder to exercise such holder's right to make an election prior to the election deadline. Each election form will allow you to make cash or stock elections or a combination of both.

The election deadline will be 5:00 p.m., New York City time, on a date prior to the effective time of the merger to be mutually determined by Alleghany and Transatlantic, which date shall be publicly announced by joint press release at least five business days prior to such date.

If you wish to elect the type of merger consideration you will receive in the merger, you should carefully review and follow the instructions that will be set forth in the election form. Stockholders who hold their shares of Transatlantic common stock in street name or through a bank, broker or other nominee should follow the instructions of the bank, broker or other nominee for making an election with respect to such shares of Transatlantic common stock. Shares of Transatlantic common stock as to which the holder has not made a valid election prior to the election deadline will be treated as non-election shares.

To make a valid election, each Transatlantic stockholder must submit a properly completed election form, together with stock certificates or a guarantee of delivery (except with respect to book-entry shares, in which case you should follow the instructions set forth in the election form), so that it is actually received by the exchange agent at or prior to the election deadline in accordance with the instructions on the election form.



## **Table of Contents**

An election form will be properly completed only if accompanied by certificates (or book-entry transfer of uncertificated shares) representing all shares of Transatlantic common stock covered by the election form (or customary affidavits and indemnification regarding the loss or destruction of such certificates, as will be described in the election form). If you cannot deliver your stock certificates to the exchange agent by the election deadline, you may deliver a notice of guaranteed delivery promising to deliver your stock certificates, as will be described in the election form, so long as the actual stock certificates are in fact delivered to the exchange agent within five business days after the execution of such guarantee of delivery.

Generally, an election may be changed, but only by written notice received by the exchange agent prior to the election deadline accompanied by a properly completed and signed revised election form. A Transatlantic stockholder may also revoke its election by either submitting a written notice to the exchange agent or withdrawing the certificates representing the shares of Transatlantic common stock covered by the election form, in each case prior to the election deadline. If an election is revoked, or the merger agreement is terminated, and any certificates (or guarantees of delivery, as appropriate) have been transmitted to the exchange agent, the exchange agent will promptly return those certificates (or guarantees of delivery, as appropriate) to the stockholder who submitted such documents, or, in the case of shares of Transatlantic common stock tendered by book-entry transfer, the exchange agent shall credit an account maintained by such stockholder promptly following the termination of the merger or revocation of the election. Transatlantic stockholders will not be entitled to revoke or change their elections following the election deadline. As a result, if you have made elections, you will be unable to revoke your elections or sell your shares of Transatlantic common stock during the interval between the election deadline and the date of completion of the merger.

Once Transatlantic stockholders have tendered their Transatlantic stock certificates to the exchange agent, they may not transfer their shares of Transatlantic common stock represented by those stock certificates until the merger is completed, unless they revoke their election by written notice to the exchange agent that is received prior to the election deadline.

Shares of Transatlantic common stock as to which the holder has not made a valid election prior to the election deadline, including as a result of revocation, will be deemed non-election shares. The determination of the exchange agent shall be binding as to whether an election shall have been properly made or revoked. If it is determined by the exchange agent that any purported cash election or stock election was not properly made, the purported election will be deemed to be of no force or effect and the holder making the purported election will be deemed not to have made an election for these purposes, unless a proper election is subsequently made on a timely basis.

The exchange agent shall make all computations as to the allocation and the proration contemplated by the merger agreement and any such computation shall be conclusive and binding on the holders of Transatlantic common stock.

### ***Exchange of Certificates***

Within three business days after the closing of the merger, the exchange agent will mail a letter of transmittal to only those persons who were Transatlantic stockholders at the effective time of the merger and who have not previously submitted an election form and properly surrendered shares of Transatlantic common stock to the exchange agent. This mailing will contain instructions on how to surrender certificated and book-entry shares of Transatlantic common stock (if these shares have not already been surrendered) in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

In the event of a transfer of ownership of shares of Transatlantic common stock that is not registered in the transfer or stock records of Transatlantic, any merger consideration payable with respect to such shares of Transatlantic common stock may be payable to the transferee if certificates or book-entry shares are presented to the exchange agent, accompanied by all documents evidencing such transfer and payment of any related transfer taxes.

## **Table of Contents**

If a certificate for Transatlantic common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit as to that loss, theft or destruction and, if required by Alleghany or the exchange agent, the posting of a bond in such amount as Alleghany or the exchange agent deems reasonably necessary as indemnity against any claim that may be made.

From and after the effective time of the merger, all holders of certificates representing shares of Transatlantic common stock or book-entry shares shall cease to have any rights as stockholders of Transatlantic other than the right to receive the merger consideration and the stock transfer books of Transatlantic shall be closed.

### ***Withholding***

The exchange agent will be entitled to deduct and withhold from the cash consideration or cash in lieu of fractional shares, cash dividends or distributions payable to any Transatlantic stockholder the amounts it is required to deduct and withhold under any federal, state, local or foreign tax law. If the exchange agent withholds any amounts, these amounts will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

### **Representations and Warranties**

The merger agreement contains reciprocal representations and warranties. Each of Alleghany and Transatlantic has made representations and warranties regarding, among other things:

organization and corporate power;

ownership of subsidiaries;

capital structure;

authority with respect to the execution and delivery of the merger agreement, and the due and valid execution and delivery and enforceability of the merger agreement;

required regulatory filings and consents and approvals of governmental entities;

absence of conflicts with, or violations of, organizational documents, other contracts and applicable laws;

SEC documents and financial statements;

accuracy of information supplied, or to be supplied, for use in this joint proxy statement/prospectus;

absence of certain changes and events from December 31, 2010 to the date of execution of the merger agreement;

absence of undisclosed material liabilities;

compliance with applicable laws and permits;

absence of certain litigation;

title to properties and the absence of liens;

opinions of financial advisors;

tax matters;

benefits matters and ERISA compliance;

collective bargaining agreements and other labor matters;

environmental matters;

**Table of Contents**

intellectual property;

material contracts;

brokers and finders' fees payable in connection with the merger;

inapplicability of takeover statutes;

absence of transactions, contracts or arrangements with affiliates requiring disclosure under the securities laws;

licensing and authorization of insurance subsidiaries;

statutory statements and examination reports of any insurance regulatory authorities;

absence of certain agreements with regulators;

rating agency actions;

insurance policy reserves;

risk-based capital reports;

insurance issued by its respective subsidiaries; and

absence of performance of duties of insurance producer or reinsurance intermediary.

The merger agreement also contains certain representations and warranties of Alleghany with respect to (i) financing of the merger consideration and (ii) its wholly-owned subsidiary, Merger Sub, including without limitation, corporate organization, lack of prior business activities, capitalization, absence of material assets or liabilities and authority with respect to the execution and delivery of the merger agreement. In addition, the merger agreement contains certain representations and warranties of Transatlantic with respect to the Transatlantic stockholder rights plan (as defined below) and reinsurance and retrocession treaties or agreements.

Many of the representations and warranties in the merger agreement are qualified by a materiality or material adverse effect standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect). For purposes of the merger agreement, a material adverse effect means, with respect to a party, any change, state of facts, circumstance, event or effect that, individually or in the aggregate, is materially adverse to either (i) the ability of such party to perform its obligations under the merger agreement, or (ii) the financial condition, properties, assets, liabilities, obligations, business or results of operations of such party and its subsidiaries, taken as a whole, except that clause (ii) of the definition of material adverse effect excludes any effect that results from or arises in connection with:



## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

entering into or complying with the merger agreement or the public announcement or pendency of the merger or any of the other transactions contemplated by the merger agreement, including the impact of so entering into the merger agreement on the relationships of such party or any of its subsidiaries with employees, customers, brokers, agents, financing sources, suppliers or partners, and regulators;

changes in law following the date of the merger agreement;

changes in GAAP or SAP following the date of the merger agreement (or local equivalents in the applicable jurisdiction) prescribed by the applicable insurance regulatory authority, including accounting and financial reporting pronouncements by the SEC, the National Association of Insurance Commissioners and the Financial Accounting Standards Board;

any change or announcement of a potential change in such party's or such party's subsidiaries' credit or claims paying rating or A.M. Best Company rating or the ratings of such party or such party's subsidiaries' businesses or securities (however, the facts or occurrences giving rise to such a change may be deemed to constitute, or be taken into account in determining whether there has been or will be, a material adverse effect);

**Table of Contents**

a suspension of trading or a change in the trading prices of such party's common stock (however, the facts or occurrences giving rise to such change may be deemed to constitute, or be taken into account in determining whether there has been or will be, a material adverse effect);

the failure to meet any revenue, earnings or other projections, forecasts or predictions for any period ending after the date of the merger agreement (however, the facts or occurrences giving rise to such failure may be deemed to constitute or be taken into account in determining whether there has been or will be a material adverse effect);

any action or failure to act expressly required to be taken by a party pursuant to the terms of the merger agreement; and

to the extent the following changes, state of facts, circumstances, events or effects do not have a materially disproportionate effect on such party and its subsidiaries, taken as a whole, relative to other companies of similar size operating in the property and casualty insurance and/or reinsurance industry, as applicable:

changes in economic, market, business regulatory or political conditions generally in the United States or any other jurisdiction in which such party or its subsidiaries operate or in the United States or global financial markets;

changes, circumstances or events generally affecting the property and casualty insurance and/or reinsurance industry in the geographic areas in which such party and its subsidiaries operate;

changes, circumstances or events resulting in liabilities under property catastrophe insurance and/or reinsurance agreements, including any effects resulting from any hurricane, tornado, flood, earthquake, windstorm, terrorist act, act of war or other natural or man-made disaster; or

the commencement, occurrence or continuation of any war or armed hostilities.

**Conduct of Business**

Each of Alleghany and Transatlantic has agreed to certain covenants in the merger agreement restricting the conduct of its business between the date of the merger agreement and the effective time of the merger. In general, each of Alleghany, Transatlantic and each of their respective subsidiaries has agreed to (i) conduct its business in the ordinary course consistent with past practice in all material respects, (ii) use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships and retain the services of its officers and key employees and (iii) take no action that would prohibit or materially impair or delay the ability of either party to obtain any necessary regulatory or other governmental approvals or consummate the transactions contemplated by the merger agreement.

In addition, each of Alleghany and Transatlantic has agreed that (subject to exceptions specified below and in the merger agreement or previously disclosed in writing to the other party as provided in the merger agreement), between the date of the merger agreement and the effective time of the merger, it will not, and will not permit any of its subsidiaries to:

amend its organizational documents, including, with respect to Transatlantic, the Transatlantic stockholder rights plan (provided that the organizational documents of a party's subsidiaries may be amended as would not reasonably be expected to have a material adverse effect on the other party or any of its subsidiaries taken as a whole or prevent or materially delay the transactions contemplated by the merger agreement);

(i) split, combine or reclassify any of its capital stock, (ii) declare, set aside or pay dividends or other distributions on any of its capital stock, or (iii) redeem, repurchase or otherwise acquire its own capital stock or other voting securities or equity interests;

**Table of Contents**

issue, deliver, pledge or sell, or authorize the issuance, delivery or sale of, any of its or its subsidiaries' shares, equity equivalents or capital stock, other than the issuance of any shares upon the exercise of stock-based awards that were outstanding on the date of the merger agreement and the issuance of any capital stock of its subsidiary to any other subsidiary;

with respect to Transatlantic, incur any unbudgeted capital expenditure in excess of \$1,000,000 individually or \$2,500,000 in the aggregate and with respect to Alleghany, incur any unbudgeted capital expenditure in excess of \$10,000,000 individually or \$25,000,000 in the aggregate;

acquire any assets, securities, properties, interests or businesses, other than (i) arm's-length acquisitions of supplies, equipment, investment securities or other assets in the ordinary course of business consistent with past practice or (ii) acquisitions with a net purchase price not in excess of \$5,000,000 individually or \$10,000,000 in the aggregate;

sell, lease, sublease, exchange or otherwise transfer or create a lien on any of its assets, securities, properties, interests or businesses or grant an option to do any of the foregoing, other than in the ordinary course of business consistent with past practice or other sales with a value that does not exceed \$5,000,000 individually or \$10,000,000 in the aggregate;

make any loans, advances or capital contributions to, or investments in, any person or entity, other than in the ordinary course of business or to a wholly-owned subsidiary;

create, incur, assume, suffer to exist or otherwise be liable with respect to any indebtedness for borrowed money or guarantees thereof (including reimbursement obligations with respect to letters of credit) in excess of \$5,000,000, other than (i) in replacement of existing or maturing debt, (ii) guarantees relating to business written by any wholly-owned subsidiary (whether directly or indirectly) in the ordinary course of its insurance or reinsurance business consistent with past practice, (iii) intercompany company indebtedness and guarantees of intercompany indebtedness, or (iv) draw-downs pursuant to existing credit facilities and letters of credit in support of its insurance or reinsurance business consistent with past practice;

make material changes to its benefit plans or increase compensation and benefits paid to employees, provided that Transatlantic may pay cash bonuses in respect of the 2011 performance period not to exceed \$24,000,000 in the aggregate;

make any change in financial or tax accounting methods, except as required by a change in GAAP or SAP;

settle any litigation, actions or proceedings, except settlements in the ordinary course of business and settlements subject to (and not materially in excess of) reserves;

make or change any material tax election, change any annual tax accounting period, adopt or change any method of tax accounting except as required by applicable law, materially amend any tax returns, enter into any material closing agreement, settle any material tax claim, audit or assessment or surrender any right to claim a material tax refund, offset or other reduction in tax liability;

amend or modify in any material respect or terminate any material contract or waive, release or assign any material rights, claims or benefits of it or its subsidiaries under any material contract or enter into any material contract except in the ordinary course of business consistent with past practice;

Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

take any action, or knowingly fail to take any action, which prevents or impedes or could reasonably be expected to impede, the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code; and

agree, resolve or commit to doing any of the foregoing.

**Table of Contents****No Solicitation of Alternative Proposals**

Each of Alleghany and Transatlantic has agreed that, from the time of the execution of the merger agreement until the earlier of the termination of the merger agreement or the completion of the merger, it will not and it will cause its subsidiaries and its and their directors and officers, and will use its reasonable best efforts to cause its controlled affiliates, employees, agents, consultants and representatives, not to, directly or indirectly, (i) solicit, initiate or knowingly encourage or facilitate (including by way of furnishing information or, with respect to Transatlantic, by amending or granting any waiver under the Transatlantic stockholder rights plan) or take any other action designed to facilitate any inquiries or proposals regarding, or that would reasonably be expected to lead to, any merger, share exchange, amalgamation, consolidation, sale of assets, sale of shares of capital stock (including by way of a tender offer or exchange offer) or similar transactions that, if consummated, would constitute a competing proposal (as defined below), (ii) solicit, initiate, knowingly encourage or participate in any discussions or negotiations regarding, or furnish to any person any information in connection with, or otherwise cooperate in any way with, or knowingly facilitate in any way any effort by any person in connection with any acquisition proposal (as defined below) or (iii) enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other agreement regarding, or that is intended to result in, or would be reasonably expected to lead to, an acquisition proposal.

An acquisition proposal with respect to a party means any inquiry or proposal regarding, or that would reasonably be expected to lead to, any merger, share exchange, amalgamation, consolidation, sale of assets, sale of shares of capital stock (including by way of a tender offer or exchange offer) or similar transaction involving such party or any of its subsidiaries that, if consummated, would constitute a competing transaction. A competing transaction with respect to a party means (i) any transaction, including a tender offer, exchange offer or share exchange, pursuant to which any third-party or group, directly or indirectly, acquires or would acquire beneficial ownership of 10% or more of the outstanding shares of such party's common stock or outstanding voting power (or options, rights or warrants to purchase, or securities convertible into or exchangeable for, such common stock other securities representing such voting power), (ii) a merger, amalgamation, consolidation or business combination pursuant to which any third-party or group would beneficially own 10% or more of such party's outstanding common stock or outstanding voting power or (iii) a recapitalization or any other transaction pursuant to which a third-party or group beneficially owns or would beneficially own 10% or more of such party's outstanding common stock or outstanding voting power or (iv) any transaction pursuant to which any third-party or group, directly or indirectly, acquires or would acquire control of assets of such party or its subsidiaries representing 10% or more of consolidated revenues, net income, EBITDA for the last 12 months or the fair market value of all of such party's assets and its subsidiaries, taken as a whole.

Notwithstanding the restrictions described above, prior to obtaining the relevant stockholder approvals, the board of directors of each of Alleghany and Transatlantic is permitted to furnish information with respect to Alleghany or Transatlantic, as applicable, and enter into discussions with, and only with, a person who has made an unsolicited bona fide written acquisition proposal if the board of directors of such party (i) determines in good faith (after consultation with its outside legal counsel and financial advisors) that such acquisition proposal constitutes or is reasonably likely to lead to a superior proposal (as defined below) and the failure to enter into discussions regarding such proposal would result in a breach of such board's fiduciary duties, (ii) provides at least three business days' notice to the other party of its intent to furnish information to, or enter into discussions with, such person and (iii) obtains from such person an executed confidentiality agreement containing terms substantially similar to and not less favorable, in the aggregate, than those contained in the Alleghany Confidentiality Agreement (it being understood that such confidentiality agreement and any related agreements (x) need not include a standstill or similar provision and (y) shall not include any provision calling for any exclusive right to negotiate with such person or having the effect of prohibiting the Alleghany or Transatlantic, as applicable, from satisfying its obligations under the merger agreement). A superior proposal with respect to a party means a bona fide written acquisition proposal made by a third-party or group (and not obtained in breach of the merger agreement) for a merger, amalgamation, consolidation, business combination or other similar transaction involving such party pursuant to which such third party or group would acquire beneficial ownership

## **Table of Contents**

of more than 50% of the outstanding common stock or voting power of such party or the surviving or parent entity following the consummation of such transaction that the board of directors of such party (after consultation with its outside legal counsel and financial advisors) determines in good faith to be more favorable to such party's stockholders than the merger. In making such determination, the board of directors of such party will take into account all relevant factors, including value and other financial considerations, legal and regulatory considerations, and any conditions to, and expected timing and risks of, completion, as well as any changes to the terms of the merger proposed by the other party in response to such superior proposal.

The merger agreement requires that the parties notify each other within 24 hours of, among other things, the receipt of any acquisition proposal or inquiry or request for non-public information that is reasonably likely to lead to an acquisition proposal. Any such notification will include the identity of the person making the inquiry and the material terms and conditions of any acquisition proposal. In addition, the merger agreement requires the parties to continue to update each other of material changes to any acquisition proposal and provide to each other, within 24 hours of receipt, all correspondence and other written material received from any third party in connection with an acquisition proposal. The merger agreement also requires both Alleghany and Transatlantic to cease, and cause to be terminated, all discussions or negotiations with any person conducted prior to the execution of the merger agreement with respect to any acquisition proposal and request the prompt return or destruction of all confidential information previously furnished in connection therewith.

## **Changes in Board Recommendations**

The board of directors of each of Alleghany and Transatlantic has agreed that it will not (A) (i) withdraw (or modify in a manner adverse to the other party) the approval, recommendation or declaration of advisability by such board of the merger agreement or the transactions contemplated by the merger agreement, (ii) adopt, approve, recommend, endorse or otherwise declare advisable the adoption of any acquisition proposal or (iii) resolve, agree or publicly propose to take any such actions (we refer to any such action set forth in clause (A), an adverse recommendation change ) or (B) cause or permit such party to enter into, or resolve, agree or propose publicly to do so with respect to, any agreement regarding an acquisition proposal.

Notwithstanding the restrictions described above, at any time prior to obtaining the relevant stockholder approvals, the board of directors of Alleghany or Transatlantic, as applicable, may make an adverse recommendation change if such board determines in good faith that the failure to do so would result in a breach of the board's fiduciary duties under applicable law, taking into account all adjustments to the terms of the merger agreement that may be offered by the other party. Prior to taking any such action, such board of directors must (x) inform the other party in writing of its decision at least three business days prior to changing its recommendation and specify the reasons therefor, including the terms and conditions of, and the identity of any person making, any acquisition proposal and (y) in the event the other party adjusts the terms of the merger agreement, the board of directors must determine that the adverse recommendation change is still required in the exercise of its fiduciary duties after giving effect to all relevant factors, including the payment of any applicable termination fees.

If the board of directors of Alleghany or Transatlantic withdraws or modifies its recommendation, such board of directors will nonetheless continue to be obligated to hold its stockholders meeting and submit the proposals described in this joint proxy statement/prospectus to its stockholders for their vote, as applicable.

## **Efforts to Obtain Required Stockholder Votes**

Alleghany has agreed to hold the Alleghany special meeting and to use its reasonable best efforts to obtain stockholder approval for the stock issuance. The merger agreement requires Alleghany to submit this proposal to a stockholder vote even if its board of directors no longer recommends the proposal. The Alleghany board of directors has approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the issuance of shares of Alleghany common stock to Transatlantic stockholders

## **Table of Contents**

pursuant to the merger, advisable and in the best interests of Alleghany and its stockholders and adopted resolutions directing that the stock issuance proposal be submitted to Alleghany stockholders for their consideration.

Transatlantic has also agreed to hold the Transatlantic special meeting and to use its reasonable best efforts to obtain stockholder approval for the adoption of the merger agreement proposal. The merger agreement requires Transatlantic to submit the merger agreement to a stockholder vote even if its board of directors no longer recommends the adoption of the merger agreement. The board of directors of Transatlantic has approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger, advisable and in the best interests of Transatlantic and its stockholders and adopted resolutions directing that the merger agreement be submitted to the Transatlantic stockholders for their consideration.

Each of Alleghany and Transatlantic may postpone or adjourn its respective special meeting of stockholders to a date that is no later than 30 days after the date on which the original special meeting was scheduled to be held (i) with the consent of the other party, (ii) in order for a quorum to be present, (iii) to allow reasonable additional time for the filing and mailing of any supplemental disclosure which must be disseminated under applicable law, (iv) to allow reasonable additional time to solicit additional proxies, (v) if required by applicable law, or (vi) if the party intends to make an adverse recommendation change.

### **Efforts to Complete the Merger**

Alleghany and Transatlantic have each agreed to:

take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with the other parties in doing, all things necessary to consummate and make effective, as soon as reasonably possible, the merger and the other transactions contemplated by the merger agreement; and

take, or cause to be taken, all actions, to file, or cause to be filed, all documents and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by the merger agreement, including preparing and filing as promptly as practicable all documentation to effect all necessary filings, consents, waivers, approvals, authorizations, permits or orders from all third parties and governmental entities, so as to enable the completion of the merger as soon as reasonably practicable.

Additionally, Alleghany and Transatlantic have each agreed to:

make and cause to be made all necessary registrations, filings and notices relating to the merger with governmental entities under certain applicable antitrust laws;

respond, as promptly as practicable under the circumstances, to any inquiries received from any governmental entity for additional information or documentation in connection with antitrust, competition, trade regulation or similar matters;

use reasonable best efforts to achieve substantial compliance as promptly as practicable with any second request received by the Antitrust Division or FTC;

certify substantial compliance with any second request as promptly as practicable after the date of such second request and take all actions necessary to assert, defend and support such certification; and

not extend any waiting period under any antitrust law or enter into any agreement with a governmental entity or other authority to delay, or otherwise not consummate as soon as practicable, any of the transactions contemplated by the merger agreement.





## **Table of Contents**

In furtherance of these obligations, if necessary and sufficient to consummate the merger, Alleghany and Transatlantic have agreed to jointly propose, negotiate, commit to and effect the holding separate, sale divestiture or other disposition of, or prohibition or limitation on, (i) the ownership or operation by either party of any of their respective subsidiaries, (ii) the ability of Alleghany to acquire or hold, or exercise full right of ownership of, any shares of capital stock of any of its subsidiaries, Transatlantic, or Transatlantic's subsidiaries, or (iii) Alleghany or any of its subsidiaries effectively controlling the business and operations of Alleghany and its subsidiaries or Transatlantic and its subsidiaries.

### **Governance Matters Following the Merger**

Alleghany has agreed to take all necessary action to cause, effective at the effective time of the merger, the number of directors on the Alleghany board of directors to be increased from 11 to 14 and three persons who were members of the Transatlantic board of directors immediately prior to the effective time of the merger as mutually agreed by Alleghany and Transatlantic to be elected to the Alleghany board of directors. The Alleghany board of directors has three classes of directors, with one of such classes elected each year. One of the three Transatlantic directors shall become a Class I director, another a Class II director and the third a Class III director.

In addition, Alleghany and Transatlantic have agreed to cause the board of directors of Alleghany after the merger to adopt a written consent (i) appointing Robert F. Orlich as a senior advisor to Transatlantic, (ii) appointing Michael C. Sapnar as President and Chief Executive Officer of Transatlantic and (iii) appointing Weston M. Hicks, Roger B. Gorham, Michael C. Sapnar, Robert F. Orlich and Joseph P. Brandon to the board of directors of Transatlantic Holdings, Inc.

Transatlantic has also agreed, prior to the effective time of the merger, to cause all directors of Transatlantic to resign effective as of the effective time of the merger. A director who will not serve on the Alleghany board of directors and who qualifies as an independent director under the listing standards of the NYSE and does not possess an interest in any transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K, shall have immediate vesting of all of his or her unvested converted Transatlantic stock-based awards.

In the event that the merger is not completed, the foregoing director elections, officer appointments and director resignations will not take effect.

### **Retention Agreements and Supplemental Bonus Program**

Transatlantic and Alleghany will work together to agree to the terms of retention agreements for key employees of Transatlantic who entered into or were offered retention agreements on or prior to the date of the execution of the merger agreement. The agreed upon retention agreements will supersede and replace any prior retention agreements entered into or offered by Transatlantic to such key employees.

The Compensation Committee of the Alleghany board of directors will establish a supplemental bonus program for key employees of Alleghany with an aggregate bonus pool not to exceed \$2,000,000. The amounts and terms of any bonuses allocated under the supplemental bonus program will be determined by the Compensation Committee of the Alleghany board of directors, or its delegate.

### **Treatment of Transatlantic Stock Options and Other Stock-Based Awards and Programs**

In the merger, each outstanding stock option to acquire Transatlantic common stock will be converted into a right to receive a cash payment based on the Black-Scholes value of the outstanding stock options on the closing date of the merger.

Outstanding Transatlantic restricted stock unit awards held by employees or former employees of Transatlantic (including performance-based Transatlantic restricted stock units) will be converted into a cash

## **Table of Contents**

award based on the per share cash amount with the same terms and conditions as the related Transatlantic restricted stock unit award, that will either (i) be deemed notionally invested in the equity of the surviving company or (ii) continue to vest on the existing vesting schedule with no change to the value of the underlying cash award that is based on the per share cash amount. The performance goals for outstanding performance-based Transatlantic restricted stock unit awards for which the applicable performance period is not completed prior to the closing date of the merger will be (x) determined based on actual performance for such performance-based restricted stock units with performance periods that end on or prior to a date that is nine months following the closing date of the merger or (y) deemed to be achieved at target level for performance-based restricted stock units with a performance period that ends more than nine months following the closing date of the merger.

Outstanding Transatlantic restricted stock unit awards held by non-employee directors of Transatlantic will be converted into a fully-vested right to receive a cash award that is paid at the time specified under the Transatlantic 2008 Non-Employee Directors Stock Plan, with amounts in respect of the converted restricted units held by non-employee directors who continue to serve on the Alleghany board of directors to be deemed invested in Alleghany common stock until the date of distribution to such non-employee director.

## **Other Covenants and Agreements**

The merger agreement contains certain other covenants and agreements, including covenants relating to:

cooperation between Alleghany and Transatlantic in the preparation of this joint proxy statement/prospectus;

confidentiality and access by each party to certain information about the other party during the period prior to the effective time of the merger;

cooperation between Alleghany and Transatlantic in the defense or settlement of any stockholder litigation relating to the merger;

causing any dispositions of Transatlantic common stock resulting from the merger and any acquisitions of shares of Alleghany common stock resulting from the merger by each individual who may become subject to reporting requirements under the securities laws to be exempt from Section 16(b) of the Exchange Act;

cooperation between Alleghany and Transatlantic to enter into a supplemental indenture with respect to Transatlantic's outstanding unsecured notes;

cooperation in determining the appropriate loss reserves of Transatlantic at December 31, 2011; and

cooperation between Alleghany and Transatlantic in connection with public announcements.

In addition, Alleghany has agreed to assume all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the effective time of the merger existing in favor of the current or former directors and officers of Transatlantic. Alleghany has also agreed to purchase a tail directors and officers liability insurance policy for Transatlantic and its current and former directors and officers and employees who are currently covered by the liability insurance coverage currently maintained by Transatlantic.

## **Conditions to Completion of the Merger**

The obligations of Alleghany and Transatlantic to complete the merger are subject to the satisfaction of the following conditions:

Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

approval by the Alleghany stockholders of the stock issuance;

adoption by the Transatlantic stockholders of the merger agreement;

authorization of the listing on the NYSE of the shares of Alleghany common stock to be issued in the merger, subject to official notice of issuance;

**Table of Contents**

the waiting period (and any extension thereof) applicable to the merger under the HSR Act having expired or been earlier terminated;

approval of the New York DFS;

all other consents and approvals of, and filings with, governmental agencies and applicable insurance regulatory authorities having been made, having been received, or having been terminated or expired, other than those that would not reasonably be expected to be materially adverse to Alleghany and its subsidiaries, taken as a whole, or Transatlantic and its subsidiaries, taken as a whole, after giving effect to the merger;

effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose; and

the absence of any order, injunction, decree, statute, rule or regulation by a court or other governmental entity that makes illegal or prohibits the completion of the merger or the other transactions contemplated by the merger agreement.

In addition, each of Alleghany's and Transatlantic's obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of each party, other than the representations related to the shares issued and outstanding or reserved for issuance, the necessary corporate power and authority to execute and deliver the merger agreement, and the brokers' and finders' fees, will be true and correct (without giving effect to any materiality qualifications contained in such representations and warranties) as of the date of the merger agreement and as of the closing date (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such specified date), except where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to materiality or to material adverse effect set forth therein), individually or in the aggregate, has not had, and would not reasonably be expected to have, a material adverse effect on such party;

the representations and warranties of each party relating to the shares issued and outstanding or reserved for issuance, the necessary corporate power and authority to execute and deliver the merger agreement, and the brokers' and finders' fees, will be true and correct in all material respects as of the date of the merger agreement and as of the closing date (except to the extent such representations or warranties were made as of an earlier date, in which case, as of such earlier date);

each party having performed or complied with, in all material respects, all its obligations under the merger agreement at or prior to the effective time of the merger;

receipt of a certificate executed by each party's chief executive officer or chief financial officer as to the satisfaction of the conditions described in the preceding three bullet points; and

each party having received from its respective counsel a written opinion, dated as of the closing date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. This condition is not waivable after receipt of approval of the transaction by such party's stockholders.

Transatlantic's obligation to effect the merger is also subject to the Alleghany board of directors having taken the actions described above in Governance Matters Following the Merger.

**Termination of the Merger Agreement**

## Edgar Filing: ALLEGHANY CORP /DE - Form S-4/A

The merger agreement may be terminated at any time prior to the effective time of the merger, even after the receipt of the required stockholder approvals, under the following circumstances:

by mutual written consent of Alleghany and Transatlantic;

143

**Table of Contents**

by either the Alleghany or Transatlantic board of directors:

if any governmental entity issues a final and nonappealable order permanently enjoining or otherwise prohibiting the completion of the merger, except that no party may terminate the merger agreement if such party's breach of its obligations proximately contributed to the issuance of such order;

if the Alleghany stockholders fail to approve the stock issuance at an Alleghany special meeting;

if the Transatlantic stockholders fail to adopt the merger agreement at a Transatlantic special meeting; or

if the merger is not consummated by the end date, subject to extension by mutual agreement of the parties, provided that no party may terminate the merger agreement if such party's breach of its obligations proximately contributed to the failure to close by the end date;

by the Alleghany board of directors upon a breach of any covenant or agreement on the part of Transatlantic, or if any representation or warranty of Transatlantic fails to be true, in either case such that the conditions to Alleghany's obligations to complete the merger would not then be satisfied and such failure is not reasonably capable of being cured or Transatlantic is not using its reasonable best efforts to cure such failure;

by the Transatlantic board of directors upon a breach of any covenant or agreement on the part of Alleghany, or if any representation or warranty of Alleghany fails to be true, in either case such that the conditions to Transatlantic's obligations to complete the merger would not then be satisfied and such failure is not reasonably capable of being cured or Alleghany is not using its reasonable best efforts to cure such failure;

by the Alleghany board of directors if, prior to obtaining the approval of the Transatlantic stockholders, the Transatlantic board of directors makes an adverse recommendation change; or

by the Transatlantic board of directors if, prior to obtaining the approval of the Alleghany stockholders, the Alleghany board of directors makes an adverse recommendation change.

**Expenses and Termination Fees; Liability for Breach**

Each party will pay all fees and expenses incurred by it in connection with the merger and the other transactions contemplated by the merger agreement, provided, however, that Alleghany and Transatlantic will share equally all fees and expenses in relation to the printing, filing and distribution of this joint proxy statement/prospectus and any filing fees in connection with the merger pursuant to any antitrust or competition law except, in each case for attorneys' and accountants' fees and expenses.

If the merger agreement is validly terminated, the merger agreement will become void and have no effect, without any liability or obligation on the part of any party, except as expressly set forth therein, provided that the parties will remain liable for any willful breaches of their representations, warranties or covenants.

Except as set forth below, if the merger agreement is terminated by Alleghany or Transatlantic pursuant to a breach by the other party of any of the covenants or agreements or any inaccuracy of any of the representations or warranties set forth in the merger agreement, then the non-terminating party will reimburse the terminating party for all of their reasonable out-of-pocket fees and expenses incurred in connection with or related to the authorization, preparation, investigation, negotiation, execution and performance of the merger agreement or any of the transactions contemplated thereby, up to a maximum amount of \$35,000,000 (which we refer to as the expense reimbursement), *provided*, that if the breach is of either party's covenant not to solicit alternative offers or to hold its special meeting, the non-terminating party will also pay the

alternate termination fee (defined below).

Except as set forth below, if the merger agreement is terminated as a result of the stockholders of either Alleghany or Transatlantic failing to approve the transaction, Alleghany will pay to Transatlantic, or



**Table of Contents**

Transatlantic will pay to Alleghany, a termination fee of \$35,000,000 (which we refer to as the alternate termination fee ), plus the expense reimbursement.

Alleghany will be obligated to pay a termination fee equal to \$115,000,000 (less any previously paid alternate termination fee and/or expense reimbursement) to Transatlantic if:

- (1) Transatlantic terminates the merger agreement because, prior to obtaining the approval of the Alleghany stockholders, the Alleghany board of directors makes an adverse recommendation change;
- (2) the merger agreement is terminated due to the failure of the Alleghany stockholders to approve the stock issuance proposal and (x) after the date of the merger agreement and prior to the Alleghany special meeting, a third party makes a proposal to Alleghany or publicly announces its intent to make a proposal to Alleghany for a competing transaction, and (y) within 12 months after such termination Alleghany or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its stockholders for adoption, or a transaction in respect of a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the merger agreement; *provided, however*, unless the competing transaction referred to in clauses (x) and (y) above were made and consummated by the same person, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%;
- (3) the merger agreement is terminated following the failure to consummate the merger on or before the end date and (x) after the date of the merger agreement and prior to the Alleghany special meeting, a third party makes a proposal to Alleghany or publicly announces its intent to make a proposal to Alleghany for a competing transaction, (y) the Alleghany special meeting does not occur at least five business days prior to the end date, and (z) within 12 months after such termination Alleghany or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its stockholders for adoption, or a transaction in respect of a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the merger agreement; *provided, however*, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%; or
- (4) Transatlantic terminates the merger agreement following the breach by Alleghany of any covenant or agreement or any inaccuracy of any of the representations or warranties set forth in the merger agreement and (x) after the date of the merger agreement and prior to the termination of the merger agreement, a third party makes a proposal for a competing transaction to Alleghany or an intention to make such a proposal has been publicly announced or otherwise become publicly known (except in the case of a breach of Alleghany's covenant not to solicit alternative acquisition proposals or to hold its stockholder meeting, in which case a proposal for a competing transaction may be made or the intention to make such a proposal may be publicly announced or otherwise publicly known before or after termination of the merger agreement), and (y) within 12 months after such termination Alleghany or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its stockholders for adoption, or a transaction in respect of a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the merger agreement; *provided, however*, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%.

---

**Table of Contents**

Transatlantic will be obligated to pay a termination fee equal to \$115,000,000 (less any previously paid alternate termination fee and/or expense reimbursement) to Alleghany if:

(1) Alleghany terminates the merger agreement because, prior to obtaining the approval of the Transatlantic stockholders, the Transatlantic board of directors makes an adverse recommendation change;

(2) the merger agreement is terminated due to the failure of the Transatlantic stockholders to adopt the merger agreement and (x) after the date of the merger agreement and prior to the Transatlantic special meeting, a third party makes a proposal to Transatlantic or publicly announces its intent to make a proposal to Transatlantic for a competing transaction, and (y) within 12 months after such termination Transatlantic or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its stockholders for adoption, or a transaction in respect of a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the merger agreement; *provided, however*, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%;

(3) the merger agreement is terminated following the failure to consummate the merger on or before the end date and (x) after the date of the merger agreement and prior to the Transatlantic special meeting, a third party makes a proposal to Transatlantic or publicly announces its intent to make a proposal to Transatlantic for a competing transaction, (y) the Transatlantic special meeting does not occur at least five business days prior to the end date, and (z) within 12 months after such termination Transatlantic or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its stockholders for adoption, or a transaction in respect of a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the merger agreement; *provided, however*, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%; or

(4) Alleghany terminates the merger agreement following the breach by Transatlantic of any covenant or agreement or any inaccuracy of any of the representations or warranties set forth in the merger agreement and (x) after the date of the merger agreement and prior to the termination of the merger agreement, a third party makes a proposal for a competing transaction to Transatlantic or an intention to make such a proposal has been publicly announced or otherwise become publicly known (except in the case of a breach of Transatlantic's covenant not to solicit alternative acquisition proposals or to hold its stockholder meeting, in which case a proposal for a competing transaction may be made or the intention to make such a proposal may be publicly announced or otherwise publicly known before or after termination of the merger agreement), and (y) within 12 months after such termination Transatlantic or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its stockholders for adoption, or a transaction in respect of a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the merger agreement; *provided, however*, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%.

**Amendments, Extensions and Waivers**

The merger agreement may be amended by the parties at any time before or after the receipt of the approvals of the Alleghany stockholders or Transatlantic stockholders required to consummate the merger. However, after any such stockholder approval, there may not be, without further approval of Alleghany stockholders and Transatlantic stockholders, any amendment of the merger agreement that changes the amount or form of the consideration to be delivered or for which applicable law requires further stockholder approval.

**Table of Contents**

At any time prior to the effective time of the merger, any party may (i) extend the time for performance of any obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement and (iii) waive compliance by the other party with any of the agreements or conditions contained in the merger agreement.

**No Third Party Beneficiaries**

The merger agreement is not intended to, and does not, confer upon you or any person other than Alleghany, Transatlantic and Merger Sub any rights or remedies, except that Transatlantic's directors and officers will have the right to enforce Alleghany's covenant to continue to provide indemnification and liability insurance coverage after the completion of the merger.

**Specific Performance**

The parties are entitled to an injunction, specific performance and other equitable relief to prevent breaches of the merger agreement and to enforce specifically the terms of the merger agreement in addition to any other remedy to which they are entitled at law or in equity.

**Table of Contents****THE VOTING AGREEMENTS**

The following section summarizes material provisions of the voting agreements, a form of which is included in this joint proxy statement/prospectus as Annex F and is incorporated herein by reference in its entirety. The rights and obligations of Transatlantic and the Alleghany stockholders party to the voting agreements are governed by the express terms and conditions of the voting agreement and not by this summary or any other information contained in this joint proxy statement/prospectus. Alleghany stockholders and Transatlantic stockholders are urged to read the form of voting agreement carefully and in its entirety. This summary is qualified in its entirety by reference to the form of voting agreement.

Concurrently with the execution of the merger agreement, on November 20, 2011, Transatlantic entered into a voting agreement with each of Estate of F.M. Kirby, Allan P. Kirby, Alice Kirby Horton, S. Dillard Kirby, Jefferson W. Kirby, John C. Baity & S. Dillard Kirby Trustees u/a 1/3/75 f/b/o S. Dillard Kirby, John C. Baity & Jefferson W. Kirby Trustees u/a 1/3/75 f/b/o Jefferson W. Kirby, John C. Baity & Alice Kirby Horton Trustees u/a 1/3/75 f/b/o Alice Kirby Horton, John C. Baity Trustee u/a 12/30/76 f/b/o Descendants of Fred M. Kirby III, John C. Baity & Stark Dillard Kirby Trustees u/a 12/30/76 f/b/o Stark Dillard Kirby, John C. Baity Trustee u/a 12/30/76 f/b/o Descendants of Stark Dillard Kirby, John C. Baity & Jefferson W. Kirby Trustees u/a 12/30/76 f/b/o Jefferson W. Kirby, John C. Baity Trustee u/a 12/30/76 f/b/o Descendants of Jefferson W. Kirby, John C. Baity & Alice Kirby Horton Trustees u/a 12/30/76 f/b/o Alice Kirby Horton, John C. Baity Trustee u/a 12/30/76 f/b/o Descendants of Alice Kirby Horton, John C. Baity Trustee u/a 12/30/76 f/b/o Leigh Carlin Kirby, John C. Baity Trustee u/a 12/30/76 f/b/o Stark Dillard Kirby, Jr., John C. Baity Trustee u/a 12/30/76 f/b/o Elizabeth Marie Kirby, John C. Baity Trustee u/a 12/30/76 f/b/o Fred Morgan Kirby IV, John C. Baity Trustee u/a 12/30/76 f/b/o Jefferson W. Kirby, Jr. (each of which we refer to as an Alleghany Supporting Stockholder and collectively, the Alleghany Supporting Stockholders). The Alleghany Supporting Stockholders hold an aggregate of approximately 1,594,958 shares (representing approximately 18.65% of the outstanding shares of Alleghany common stock as of November 18, 2011, the last trading day before announcement of the transaction, and as of the Alleghany record date).

*Voting.* Each Alleghany Supporting Stockholder has agreed that such stockholder will vote (or cause to be voted) all shares of Alleghany common stock held by such stockholder (a) in favor of the approval of the stock issuance and (b) against any Alleghany Acquisition Proposal (as defined in the merger agreement) and against any action or agreement that would reasonably be expected to materially impair the ability of Alleghany or Merger Sub to complete the merger, or that would otherwise reasonably be expected to prevent or materially impede or materially delay the consummation of the merger.

*Grant of Proxy.* In furtherance of the voting agreements, each Alleghany Supporting Stockholder granted an irrevocable proxy to Transatlantic to vote shares of Alleghany common stock held by such Alleghany Supporting Stockholder in favor of the stock issuance.

*Restrictions on Transfer.* Each Alleghany Supporting Stockholder has agreed, subject to certain exceptions, not to (i) sell, transfer, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, pledge, encumbrance, assignment or other disposition of, or limitation on the voting rights of, any of the shares of Alleghany common stock held by such Alleghany Supporting Stockholder; (ii) grant any proxies or powers of attorney with respect to such shares of Alleghany common stock, deposit any such shares of Alleghany common stock into a voting trust or enter into a voting agreement with respect to any such shares of Alleghany common stock, in each case with respect to any vote on the approval of the stock issuance or any other matters set forth in the voting agreement; (iii) take any action that would cause any representation or warranty of such Alleghany Supporting Stockholder contained in the voting agreement to become untrue or incorrect in any material respect or have the effect of preventing or disabling such Alleghany Supporting Stockholder from performing its obligations under the voting agreement; or (iv) commit or agree to take any of the foregoing actions.

**Table of Contents**

*Representations and Warranties of Alleghany Supporting Stockholders.* Each of the Alleghany Supporting Stockholders has made customary representations and warranties to Transatlantic, including with respect to (a) authority to enter into and carry out its obligations under, and enforceability of, the voting agreement and (b) ownership and voting power of shares of Alleghany common stock.

*Termination.* The voting agreements will automatically terminate upon the earliest to occur of: (i) the termination of the merger agreement in accordance with its terms; (ii) the effective time of the merger; (iii) any withdrawal or modification of the recommendation of the Transatlantic board of directors in a manner adverse to Alleghany; (iv) any withdrawal or modification of the recommendation of the Alleghany board of directors in a manner adverse to the transactions contemplated by the merger agreement; (v) any material change to any provision of the merger agreement that (x) increases the amount or changes the form of the consideration to Transatlantic stockholders or (y) is otherwise materially adverse to the Alleghany Supporting Stockholders; and (vi) the end date.

**Table of Contents**

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following discussion addresses the material United States federal income tax consequences of the merger to holders of Transatlantic common stock. The discussion is based on the Code, Treasury regulations, administrative rulings and judicial decisions, all as currently in effect and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This discussion applies only to Transatlantic stockholders that hold their Transatlantic common stock as a capital asset within the meaning of Section 1221 of the Code, each of which we refer to in this document as a holder. Further, this discussion does not address all aspects of United States federal taxation that may be relevant to a particular shareholder in light of its personal circumstances or to shareholders subject to special treatment under the United States federal income tax laws, including:

banks or trusts,

tax-exempt organizations,

insurance companies,

dealers in securities or foreign currency,

traders in securities who elect to apply a mark-to-market method of accounting,

pass-through entities and investors in such entities,

foreign persons,

shareholders who received their Transatlant