

**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD
INVESTMENT COMMITTEE CHARTER**

I. Committee Membership; Organization; Operation; Purpose

The Investment Committee (the “Committee”) of the Board of Directors (the “Board”) of Allied World Assurance Company Holdings, Ltd (the “Company”) shall consist of no less than three non-employee directors, the majority of whom, including the Chairman, shall be “independent” under the rules of the New York Stock Exchange and under the Company’s Board Policy on Director Independence (“Independent Directors”).

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating & Corporate Governance Committee. Each Committee member shall be “financially literate.” Determinations as to whether a director is qualified for membership on the Committee shall be made by the Nominating & Corporate Governance Committee. Each Committee member shall serve until his or her successor is duly appointed by the Board or until such member’s resignation or removal from the Board or the Committee. Committee members shall serve at the pleasure of the Board and for such term or terms as the Board may determine. Committee members may be added, removed or replaced by the Board in its complete discretion.

The Chairman of the Committee shall be designated by the non-employee members of the Board. The Chairman shall be responsible for presiding over Committee meetings, preparing Committee agendas and determining the informational needs of the Committee. The Committee may form and delegate any of its responsibilities, as permitted by applicable laws and regulations, to a subcommittee composed of one or more members of the Committee, provided that Independent Directors compose at least a majority of such subcommittee.

The Committee shall meet as frequently as the discharge of its responsibilities shall require, as determined by the Committee or its Chairman, and may take action by unanimous written consent. The Committee may request any other director, officer or employee of the Company or its subsidiaries or any of the Company’s or its subsidiaries’ outside advisors to attend any meeting of the Committee or to meet independently with any of the foregoing.

The Committee shall report regularly to the Board, including after each Committee meeting, on the Committee’s findings and recommendations and any other matters the Committee deems appropriate, and shall maintain minutes or other records of Committee meetings and activities. The Committee’s report to the Board may take the form of an oral report by the Chairman or by any other member of the Committee designated by the Committee to make this report.

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the sole authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate. The Company shall provide adequate funding to the Committee to engage such counsel, experts and consultants and shall fund other ordinary administrative expenses that are necessary or appropriate for the Committee in carrying out its responsibilities.

The Committee shall periodically review the Committee's charter and recommend any proposed changes to the Board for approval. The Board may also review the Committee's charter from time to time and determine to alter the Committee's responsibilities over time.

The purpose of the Committee shall be to (i) adopt, maintain and oversee compliance with the Company's Investment Policy Statement, (ii) oversee the investment strategy and investment advisors of the Company and any of its subsidiaries and (iii) oversee investment risk exposures.

II. Committee Responsibilities

The Committee shall have the responsibility to:

1. With input from management and the Enterprise Risk Committee, review and recommend to the Board for approval the risk appetite of the Company with respect to its Total Portfolio (as defined below) consistent with the Company's overall firm-wide enterprise risk appetite.
2. Review and approve an Investment Policy Statement, incorporating risk and return guidelines ("Guidelines"), that is based upon the Company's risk appetite for its invested assets and the invested assets of its subsidiaries (the "Total Portfolio"). The Investment Policy Statement will set forth the Company's policies and procedures to (a) manage the Total Portfolio in a manner consistent with the Guidelines, (b) measure and monitor Total Portfolio performance and (c) assess and control risks, including market risk, liquidity risk, credit and counterparty risk and operational risk, as such risks relate to the Total Portfolio.
3. Review and approve the appointment and termination of investment advisors, as recommended by management, provided that no investment advisor may be appointed unless management confirms to the Committee that such investment advisor has effective policies and procedures in place to manage the performance of the relevant investment portfolio and to assess and control its risks, consistent with the investment guidelines set forth in the relevant investment management agreement negotiated by management and the investment advisor.
4. Receive on a quarterly basis a report from management setting forth the performance and the risk profile of the Total Portfolio, as well as highlighting material changes (if any) in the composition of such portfolio or in its risk profile.
5. Periodically discuss with management the most likely sources of material future risks with respect to the Total Portfolio and how management is addressing any significant potential vulnerability.
6. Receive periodic reports from management concerning the performance of each investment advisor in order to assure adherence to the Investment Policy Statement, including the Guidelines, and to monitor progress toward achieving investment objectives.

7. Receive annually a report from management as to compliance with the Investment Policy Statement, including the Guidelines contained therein.
8. Perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time, including those relating to the Total Portfolio, investment advisors or other investment-related matters.

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