

VALIDUS HOLDINGS LTD
Form PREM14A
August 03, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

VALIDUS HOLDINGS, LTD.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
Common Shares, \$0.175 par value per share
 - (2) Aggregate number of securities to which transaction applies:
100,841,249
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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- (4) Proposed maximum aggregate value of transaction:
\$3,295,937,720.15

Solely for the purpose of calculating the registration fee, the underlying value of the transactions was calculated as the product of (i) 64,791,345 shares of Transatlantic common stock outstanding as of July 5, 2011 and potentially issuable pursuant to Transatlantic options and stock-based awards (as reported in the Form S-4 filed by Allied World Assurance Company Holdings, AG, on July 7, 2011), and (ii) the average of the high and low sales prices of shares of Transatlantic common stock as reported on the New York Stock Exchange on August 2, 2011 (\$50.87).

- (5) Total fee paid:
\$382,638.37 (Calculated as the product of the maximum aggregate offering price and 0.00011610)

o Fee paid previously with preliminary materials.

ý Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
\$387,788.79
- (2) Form, Schedule or Registration Statement No.:
Form S-4 (Registration Number 333-175774)
- (3) Filing Party:
Validus Holdings, Ltd., Commission File No. 001-33606
- (4) Date Filed:
July 25, 2011
-

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**PRELIMINARY PROXY STATEMENT
DATED AUGUST 3, 2011 SUBJECT TO COMPLETION**

**29 Richmond Road,
Pembroke HM 08
Bermuda**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON _____, 2011**

_____, 2011

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of Validus Holdings, Ltd. will be held at 29 Richmond Road, Pembroke HM08 Bermuda, on _____, 2011, at _____, Atlantic time, for the following purposes:

to approve the issuance of Validus voting common shares, par value \$0.175 per share, in connection with the proposed acquisition of all of the outstanding shares of common stock, par value \$1.00 per share, Transatlantic Holdings, Inc.; and

to approve the adjournment of the special meeting for the solicitation of additional proxies if there are not sufficient votes to approve the foregoing proposal.

For further information concerning matters to be acted upon at the special meeting of Validus Shareholders, you are urged to read the proxy statement on the following pages.

This proxy statement is dated _____, 2011 and is first being mailed to Validus Shareholders on or about _____, 2011

If you are a shareholder of record, please complete, sign, date and return the enclosed proxy card in the return envelope furnished for that purpose, as promptly as possible, whether or not you plan to attend the meeting, or follow the instructions on the proxy card to complete your proxy card on the Internet at the website indicated or by telephone. If you own your shares through a bank, broker, or other nominee, you will receive instructions from that institution on how to instruct them to vote your shares, including by completing a voting instruction form, or providing instructions by Internet or telephone. If you do not receive such instructions, you may contact that institution to request them. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached proxy statement. Only shareholders of record as shown on the transfer books of Validus at the close of business on _____, 2011 will be entitled to notice of, and to vote at, the special meeting of Validus Shareholders or any adjournments or postponements thereof. See the section of this proxy statement titled "The Special Meeting" beginning on page _____ for more information.

By Order of the Board of Directors,

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**PRELIMINARY PROXY STATEMENT
DATED AUGUST 3, 2011 SUBJECT TO COMPLETION**

**29 Richmond Road,
Pembroke HM 08
Bermuda**

**SPECIAL MEETING OF SHAREHOLDERS
PROXY STATEMENT**

This proxy statement (this "proxy statement") is furnished to the holders of Validus voting common shares, \$0.175 par value per share (the "Validus Shares" and, together with any non-voting common shares, \$0.175 par value per share, the "Validus common shares") in connection with the solicitation of proxies by the board of directors of Validus Holdings, Ltd. ("Validus") to be voted at a special meeting of shareholders (the "Special Meeting") on _____, 2011, at _____, Atlantic time, at 29 Richmond Road, Pembroke HM08 Bermuda.

Validus Shareholders will be asked at the Special Meeting:

to approve the issuance of Validus Shares (the "Share Issuance") in connection with the proposed acquisition of all of the outstanding shares of common stock, par value \$1.00 per share (the "Transatlantic Shares") of Transatlantic Holdings, Inc. ("Transatlantic") (the "Share Issuance Proposal"); and

to approve the adjournment of the Special Meeting for the solicitation of additional proxies if there are not sufficient votes to approve the foregoing proposal (the "Adjournment Proposal").

On June 12, 2011, Transatlantic entered into an Agreement and Plan of Merger with Allied World Assurance Company Holdings, AG, a corporation limited by shares organized under the laws of Switzerland ("Allied World") and GO Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Allied World ("Acquisition Sub") (as the same may be amended, the "Allied World Acquisition Agreement"), which would result in the merger of Acquisition Sub with and into Transatlantic, with Transatlantic continuing as the surviving corporation in the merger as a wholly-owned subsidiary of Allied World (the "Proposed Allied World Acquisition").

On July 12, 2011, Validus publicly announced that it had delivered a written proposal to the Transatlantic board of directors (the "Transatlantic Board") to combine the businesses of Validus and Transatlantic through a merger transaction in which Validus would acquire all of the issued and outstanding Transatlantic Shares. The proposal contemplates that Transatlantic 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, for each Transatlantic Share they own. The cash dividend to be received by Transatlantic stockholders will be taxable at applicable dividend tax rates. We refer to this proposal and the proposed transaction as the "Merger Offer." Validus has provided to the Transatlantic Board a draft merger agreement that Validus contemplates would be executed by Validus and Transatlantic in connection with the Merger Offer (the "Proposed Merger Agreement"). Transatlantic announced on July 19, 2011 that the Transatlantic Board had

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determined that the Merger Offer is reasonably likely to lead to a "superior proposal" under the terms of the Allied World Acquisition Agreement and that the failure to enter into discussions regarding the Merger Offer would result in a breach of the Transatlantic Board's fiduciary duties under applicable law. On July 23, 2011, Transatlantic delivered a form of confidentiality agreement for Validus' execution as a precondition to the commencement of discussions and exchange of confidential information. However, the form of confidentiality agreement included standstill provisions that would have prevented Validus from making the Exchange Offer (as defined below) directly to Transatlantic stockholders. Transatlantic would not agree to the removal of such restrictive provisions. Later that evening, Validus delivered a form of confidentiality agreement to Transatlantic that it would be prepared to execute, but has not received any response from Transatlantic as of the date of this proxy statement. While Validus continues to hope that it is possible to reach a consensual transaction with Transatlantic, Validus does not believe that it is in Transatlantic stockholders' best interests to give the Transatlantic Board unilateral control over whether the Exchange Offer is made available to Transatlantic stockholders.

On July 25, 2011, Validus commenced an exchange offer to acquire all of the issued and outstanding Transatlantic Shares pursuant to which Transatlantic stockholders would receive 1.5564 Validus Shares and \$8.00 in cash (less applicable withholding taxes and without interest) per Transatlantic Share they own (as such offer may be amended from time to time, the "Exchange Offer"). Validus intends to, promptly after completion of the Exchange Offer, to consummate a second-step merger (the "Second-Step Merger") of Transatlantic with a wholly-owned subsidiary of Validus pursuant to the General Corporation Law of the State of Delaware, as amended (the "DGCL") pursuant to which each Transatlantic Share not owned by Validus following the Exchange Offer (other than Transatlantic Shares held in treasury by Transatlantic and Transatlantic Shares held by Transatlantic stockholders who properly exercise applicable dissenters' rights under Delaware law) will be converted into the right to receive the same number of Validus Shares and the same amount of cash as are received by Transatlantic stockholders pursuant to the Exchange Offer. On July 28, 2011, Transatlantic filed a Solicitation/Recommendation Statement on Schedule 14D-9 reporting that the Transatlantic Board had met on July 26, 2010 and reaffirmed its support of the Proposed Allied World Acquisition, and that the Transatlantic Board had determined to recommend that Transatlantic stockholders reject the Exchange Offer and not tender their Transatlantic Shares pursuant to the Exchange Offer.

As of the date of this proxy statement, neither the Merger Offer nor the Exchange Offer has been approved by the Transatlantic Board. The Merger Offer and the Exchange Offer are alternative methods for Validus to acquire all of the issued and outstanding Transatlantic Shares. Ultimately, only one of these transactions, or similar acquisition, can be pursued to completion. Validus intends to seek to combine with Transatlantic by whichever method Validus determines is most likely to be completed. If the Share Issuance is approved by Validus Shareholders, Validus reserves the right to issue Validus Shares in connection with Validus' proposed acquisition of all of the outstanding Transatlantic Shares at an exchange ratio less than or equal to 1.5564 however effected, whether pursuant to the Merger Offer, the Exchange Offer and the Second-Step Merger, or otherwise. Except as otherwise specifically set forth in this proxy statement, we sometimes refer to any such acquisition of Transatlantic Shares as a "Proposed Transatlantic Acquisition."

Validus is soliciting proxies from holders of Validus Shares at the Special Meeting pursuant to this proxy statement in order to be able to issue the Validus Shares to Transatlantic stockholders in connection with a Proposed Transatlantic Acquisition. The Share Issuance will become effective only if it is approved by Validus Shareholders and the Transatlantic Shares are acquired by Validus, either pursuant to the Merger Offer, the Exchange Offer and the Second-Step Merger, or otherwise.

Based on Validus' and Transatlantic's respective capitalizations as of March 31, 2011, the proposed exchange ratio of 1.5564 Validus Shares per Transatlantic Share in a Proposed Transatlantic Acquisition

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and assuming dissenters' rights are not properly exercised under Delaware law, Validus estimates that former Transatlantic stockholders would own, in the aggregate, approximately 48% of the Validus common shares on a fully-diluted basis following consummation of a Proposed Transatlantic Acquisition.

Validus Shareholders of record as of the close of business on _____, 2011 (the "Record Date") will be entitled to vote at the Special Meeting. As of the Record Date, there were _____ outstanding Validus Shares entitled to vote at the Special Meeting, and _____ Validus non-voting shares. Each Validus Share entitles the holder of record thereof to one vote at the Special Meeting; however, if, and for so long as, the Validus Shares of a shareholder, including any votes conferred by "controlled shares" (as defined below), would otherwise represent more than 9.09% of the aggregate voting power of all Validus Shares entitled to vote on a matter, the votes conferred by such Validus Shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by Validus' bye-laws), the votes conferred by such Validus Shares represent 9.09% of the aggregate voting power of all Validus Shares entitled to vote on such matter. "Controlled shares" include, among other things, all Validus Shares that a person is deemed to own directly, indirectly or constructively (within the meaning of Section 958 of the Internal Revenue Code of 1986 or Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")).

Validus knows of no specific matter to be brought before the Special Meeting that is not referred to in the Notice of Special Meeting of Shareholders dated _____, 2011. If any such matter comes before the Special Meeting, including any shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

The affirmative vote of a majority of the votes cast at the Special Meeting at which a quorum is present in accordance with Validus' bye-laws is required to approve the Share Issuance Proposal. The affirmative vote of a majority of the voting power represented at the Special Meeting, at which a quorum is present in accordance with Validus' bye-laws, is required to approve the Adjournment Proposal.

Validus' board of directors recommends that Validus Shareholders vote "FOR" the Share Issuance Proposal and the Adjournment Proposal.

This proxy statement provides Validus Shareholders with detailed information about the Special Meeting and the Share Issuance. You can also obtain information from publicly available documents filed by Validus and Transatlantic with the SEC. **Validus encourages you to read this entire document carefully, including the section entitled "Risk Factors" beginning on page 20.**

Your vote is very important. Whether or not you plan to attend the Special Meeting, please take time to vote by completing and mailing your enclosed proxy card or by following the voting instructions provided to you if you own your shares through a bank, broker or other nominee. If you do not receive such instructions, you may request them from that firm.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities regulatory agency has approved or disapproved the Share Issuance, passed upon the merits or fairness of the Share Issuance or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.

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SOURCES OF ADDITIONAL INFORMATION

This proxy statement includes information, including important business and financial information, also set forth in documents filed by Validus and Transatlantic with the SEC, and those documents include information about Validus and Transatlantic that is not included in or delivered with this proxy statement. You can obtain any of the documents filed by Validus or Transatlantic, as the case may be, with the SEC from the SEC or, without charge, from the SEC's website at <http://www.sec.gov>. Validus Shareholders also may obtain documents filed by Validus with the SEC or documents incorporated by reference in this proxy statement free of cost, by directing a written or oral request to Validus' information agent, Innisfree M&A Incorporated ("Innisfree"), at:

501 Madison Avenue, 20th Floor
New York, New York 10022
Stockholders May Call Toll Free: (877) 825-8964
Banks and Brokers May Call Collect: (212) 750-5833

If you would like to request documents, in order to ensure timely delivery, you must do so at least ten business days before the date of the Special Meeting. This means you must request this information no later than _____, 2011. Validus will mail properly requested documents to requesting Validus Shareholders by first class mail, or another equally prompt means, within one business day after receipt of such request.

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QUESTIONS AND ANSWERS ABOUT THE SHARE ISSUANCE AND THE SPECIAL MEETING

The following questions and answers highlight selected information from this proxy statement and may not contain all the information that is important to you. Validus encourages you to read this entire document carefully.

Q. When and where is the Special Meeting?

A. The Special Meeting will take place at _____, Atlantic time, on _____, 2011, at 29 Richmond Road, Pembroke HM08 Bermuda.

Q. What is the purpose of the Special Meeting?

A. The purpose of the meeting is to seek Validus Shareholder approval of:

the Share Issuance in connection with a Proposed Transatlantic Acquisition; and

to approve the adjournment of the Special Meeting for the solicitation of additional proxies if there are not sufficient votes to approve the foregoing proposal.

Even if Validus Shareholders approve the Share Issuance, the Share Issuance will take effect only if and when a Proposed Transatlantic Acquisition is consummated.

Q. Why is Validus Shareholder approval of the Share Issuance required?

A. The listing requirements of the New York Stock Exchange (the "NYSE") require that Validus Shareholders approve any issuance of Validus Shares or securities convertible into or exercisable for Validus Shares if (a) the Validus Shares or other securities being issued will have voting power equal to or in excess of 20% of the voting power outstanding before such issuance or (b) the number of Validus Shares to be issued is or will be equal to or in excess of 20% of the number of Validus Shares or other securities before such issuance.

Based upon publicly available information about the number of Transatlantic Shares outstanding as of March 31, 2011 and the proposed exchange ratio of 1.5564 Validus Shares per Transatlantic Share, Validus estimates that it would need to issue 97,236,888 Validus Shares in a Proposed Transatlantic Acquisition. This number of Validus Shares will be greater than 20% of the total number of Validus Shares outstanding prior to such issuance. Because the proposed exchange ratio in each of the Validus Merger Offer and Exchange Offer is fixed, the actual number of Validus Shares issuable in a Proposed Transatlantic Acquisition will depend on the number of Transatlantic Shares outstanding at the time of the consummation of a Proposed Transatlantic Acquisition and whether any Transatlantic stockholders have properly exercised dissenter's rights under Delaware law.

If the Share Issuance is approved by Validus Shareholders, Validus reserves the right to issue Validus Shares in connection with a Proposed Transatlantic Acquisition, however effected. Other than with respect to the Share Issuance, Validus Shareholders are not being asked to vote on the structure or form of, and Validus Shareholder approval is not required with respect to, a Proposed Transatlantic Acquisition.

Q. Why is Validus proposing to acquire Transatlantic?

A. Based on a number of factors described below under "The Proposed Transatlantic Acquisition Reasons Why Validus' Board of Directors Recommends Approval of the Share Issuance," Validus' board of directors believes that an acquisition of Transatlantic represents a compelling combination and excellent strategic fit that will create a unique, global leader in reinsurance that will:

deploy capital effectively to maximize underwriting profitability and achieve superior growth in book value per share;

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continue to aggressively manage capital, consistent with Validus' past practice; and

be a recognized leader in multiple classes, emphasizing short-tail lines while being well-positioned for cycle management.

Q. Does Validus' board of directors recommend approval of the proposals?

A.

Yes. Validus' board of directors, taking into consideration the reasons discussed under the section of this proxy statement titled "The Proposed Transatlantic Acquisition Reasons Why Validus' Board of Directors Recommends Approval of the Share Issuance," authorized and approved the Share Issuance. Validus' board of directors deems it fair, advisable and in the best interests of Validus to acquire all of the outstanding Transatlantic Shares and to consummate the Share Issuance. **Validus' board of directors recommends that Validus Shareholders vote "FOR" each of the Share Issuance Proposal and the Adjournment Proposal.**

Q. When do you expect the Proposed Transatlantic Acquisition to be completed?

A.

Validus believes that it would be able to complete the Proposed Transatlantic Acquisition in the fourth quarter of 2011, following termination of the Allied World Acquisition Agreement (and subject to the satisfaction or waiver of the conditions to the Merger Offer or Exchange Offer, or such other conditions as may be applicable to a Proposed Transatlantic Acquisition, as the case may be). However, there can be no assurances that the current Transatlantic Board would seek to enter into the Proposed Merger Agreement, or otherwise pursue or facilitate the Proposed Transatlantic Acquisition, following a termination of the Allied World Acquisition Agreement. Validus Shareholders should take all of these factors into account when determining how to vote their Validus Shares.

Q. What percentage of Validus Shares will the former holders of Transatlantic Shares own after a Proposed Transatlantic Acquisition?

A.

Based on Validus' and Transatlantic's respective capitalizations as of March 31, 2011, the proposed exchange ratio of 1.5564 Validus Shares per Transatlantic Share in a Proposed Transatlantic Acquisition and assuming dissenters' rights are not properly exercised under Delaware law, Validus estimates that former Transatlantic stockholders would own, in the aggregate, approximately 48% of the Validus common shares on a fully-diluted basis following consummation of a Proposed Transatlantic Acquisition.

Q. Are Validus Shareholders able to exercise appraisal rights?

A.

Validus Shareholders will not be entitled to exercise appraisal rights with respect to any matter to be voted upon at the Special Meeting.

Q. Will I have preemptive rights in connection with the Share Issuance?

A.

No. Validus Shareholders will not be entitled to any preemptive rights in connection with the Share Issuance.

Q. What is the quorum requirement for the Special Meeting?

A.

The Validus bye-laws provide that two or more Validus Shareholders present in person and representing in person or by proxy in excess of 50% of the total issued Validus Shares must be present throughout the Special Meeting.

Q. What vote is required to approve the Share Issuance Proposal at the Special Meeting?

A.

The affirmative vote of a majority of the votes cast at the Special Meeting, assuming a quorum is present, is required to approve the Share Issuance Proposal.

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Q. What vote is required to approve the Adjournment Proposal at the Special Meeting?

- A. The affirmative vote of a majority of the voting power represented at the Special Meeting, assuming a quorum is present, is required to approve the Adjournment Proposal.

Q. How can I vote my Validus Shares in person at the Special Meeting?

- A. If your Validus Shares are registered directly in your name as of the record date with the transfer agent, BNY Mellon Shareowner Services, you are considered the "shareholder of record" with respect to those shares, and the proxy materials and proxy card are being sent directly to you. As the shareholder of record, you have the right to vote in person at the meeting. If you choose to do so, you can bring the enclosed proxy card.

Most Validus Shareholders hold their Validus Shares through a bank, broker or other nominee (that is, in "street name") rather than directly in their own name. If you hold your Validus Shares in street name, you are a "beneficial holder," and the proxy materials are being forwarded to you by your bank, broker or other nominee together with a voting instruction form. Because a beneficial holder is not the shareholder of record, you may not vote these shares in person at the meeting unless you have previously either arranged for the Validus Shares beneficially owned by you to be transferred of record into your name by the record date for the Special Meeting or secured a valid proxy or power of attorney from the bank, broker or other nominee that holds your shares as of the record date for the Special Meeting (and who has received a valid proxy or power of attorney from the shareholder of record pursuant to a "legal proxy" with a power of subdelegation from the shareholder of record as of the record date).

Even if you plan to attend the Special Meeting, we recommend that you vote your Validus Shares in advance as described below so that your vote will be counted if you later decide not to attend the Special Meeting.

Q. How can I vote my Validus Shares without attending the Special Meeting?

- A. If you are the shareholder of record, you may direct your vote without attending the Special Meeting by completing and mailing your proxy card in the enclosed pre-paid envelope. In addition, if you are the shareholder of record, you may grant a proxy to vote your Validus Shares at the Special Meeting by telephone by calling _____ and following the simple recorded instructions, twenty-four hours a day, seven days a week, at any time prior to 12:59 a.m., Atlantic time, on the day of the Special Meeting. Alternatively, as a shareholder of record, you may vote via the Internet at any time prior to 12:59 a.m., Atlantic time, on the day of the Special Meeting by going to <http://www.proxyvote.com>, entering the company number and control number on your proxy card and following the instructions to submit an electronic proxy. If you vote by telephone or the Internet, you will be required to provide the control number contained on your proxy card.

If you hold your Validus Shares in street name you should complete and return the voting instruction form you receive from your bank, broker or other nominee in accordance with the instructions you receive from your bank, broker or other nominee. Your voting instruction form may contain instructions from your bank, broker or other nominee that allow you to vote your Validus Shares using the Internet or by telephone. Please consult with your bank, broker or other nominee if you have any questions regarding the voting of Validus Shares held in street name.

Q. What effect will abstentions and "broker non-votes" have with respect to the Share Issuance Proposal and the Adjournment Proposal?

- A. Abstentions and broker non-votes (i.e., shares held by a broker which are represented at the Special Meeting but with respect to which such broker does not have discretionary authority to vote on a particular proposal) will be counted for purposes of determining whether a quorum exists and will be considered as present for purposes of determining voting power present at the

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Special Meeting. Abstentions and broker non-votes will not have the effect of a vote against the Share Issuance Proposal, but will have the effect of a vote against the Adjournment Proposal. See the section of this proxy statement titled "The Special Meeting Record Date and Shares Entitled to Vote."

Q. If my Validus Shares are held in a brokerage account or in "street name," will my broker vote them for me?

A.

If you own your Validus Shares through a bank, broker or other nominee, you will receive instructions from that institution on how to instruct them to vote your Validus Shares, including by completing a voting instruction form, or providing instructions by Internet or telephone. If you do not receive such instructions, you may contact that institution to request them. In accordance with NYSE rules, banks, brokers and other nominees who hold Validus Shares in street-name for customers may not exercise their voting discretion with respect to the Share Issuance Proposal and the Adjournment Proposal. Accordingly, if you do not provide your bank, broker or other nominee with instructions on how to vote your street name shares, your bank, broker or other nominee will not be permitted to vote them at the Special Meeting, possibly resulting in a "broker non-vote."

Q. Will any other matters be voted on at the Special Meeting?

A.

Validus knows of no specific matter to be brought before the Special Meeting that is not referred to in the Notice of Special Meeting of Shareholders dated _____, 2011. If any such matter comes before the Special Meeting, the proxy holders will vote proxies in accordance with their judgment.

Q. What is the record date for the Special Meeting?

A.

Only shareholders of record as of the Record Date of _____, 2011 are entitled to receive notice of and to vote at the Special Meeting or any adjournment thereof.

Q. How many votes do I have and how many votes can be cast by all Validus Shareholders?

A.

Each Validus Share entitles the holder of record thereof to one vote at the Special Meeting; however, if, and for so long as, the Validus Shares of a shareholder, including any votes conferred by "controlled shares," would otherwise represent more than 9.09% of the aggregate voting power of all Validus Shares entitled to vote on a matter, the votes conferred by such Validus Shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by Validus' bye-laws), the votes conferred by such Validus Shares represent 9.09% of the aggregate voting power of all Validus Shares entitled to vote on such matter. As of the Record Date, there were _____ Validus Shares outstanding and entitled to vote at the Special Meeting (without taking into account any voting cutback described above).

"Controlled shares" include, among other things, all Validus Shares that a person is deemed to own directly, indirectly or constructively (within the meaning of Section 958 of the Internal Revenue Code of 1986 or Section 13(d)(3) of the Exchange Act).

Q. What do I need to do now?

A.

Validus urges you to read carefully this proxy statement, including its annexes and the documents incorporated by reference herein. You also may want to review the documents referenced under the section of this proxy statement titled "Where You Can Find More Information" and consult with your accounting, legal and tax advisors. Once you have considered all relevant information, Validus encourages you to fill in and return the attached proxy card (if you are a shareholder of

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record) or voting instruction form you receive from your bank, broker or other nominee (if you hold your Validus Shares in street name).

Q. How will my Validus Shares be voted if I sign and return a proxy card or voting instruction form without specifying how the should be voted?

A.

If you sign and return a proxy card or voting instruction form without giving specific voting instructions, your Validus Shares will be voted "FOR" the Share Issuance Proposal and "FOR" the Adjournment Proposal and as the persons named as proxies may determine in their judgment with respect to any other matters properly presented for a vote before the Special Meeting.

Q. What do I do if I want to change my vote or revoke my proxy?

A.

You may change your vote or revoke your proxy at any time before your proxy is voted at the Special Meeting. If you are a Validus Shareholder of record, you may change your vote or revoke your proxy by: (1) delivering to Validus (Attention: General Counsel) at 29 Richmond Road, Pembroke, HM 08 Bermuda a written notice of revocation of your proxy; (2) delivering to Validus an authorized proxy bearing a later date (including a proxy by telephone or over the Internet); or (3) attending the Special Meeting and voting in person as described above under the question titled "How can I vote my Validus Shares at the Special Meeting?" Attendance at the Special Meeting in and of itself, without voting in person at the Special Meeting, will not cause your previously granted proxy to be revoked. For Validus Shares you hold in street name, you should follow the instructions of your bank, broker or other nominee or, if you have obtained a valid proxy or power of attorney from the bank, broker or other nominee that holds your Validus Shares (and who has received a "legal proxy," with a power of subdelegation, from the shareholder of record as of the Record Date) giving you the right to vote your Validus Shares at the Special Meeting, by attending the Special Meeting and voting in person.

Q. Who can I contact with any additional questions?

A.

If you have additional questions about the Share Issuance or the Proposed Transatlantic Acquisition, if you would like additional copies of this proxy statement, or if you need assistance voting your Validus Shares, you should contact Innisfree at:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, New York 10022
Stockholders May Call Toll Free: (877) 825-8964
Banks and Brokers May Call Collect: (212) 750-5833

Q. Where can I find more information about the companies?

A.

You can find more information about Validus and Transatlantic in the documents described under the section of this proxy statement titled "Where You Can Find More Information."

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SUMMARY

This summary highlights the material information in this proxy statement. To more fully understand the Share Issuance Proposal and the Adjournment Proposal, and for a more complete description of the terms of the Proposed Transatlantic Acquisition, you should read carefully this entire document, including the annexes and documents incorporated by reference herein, and the other documents referred to herein. For information on how to obtain the documents that are on file with the SEC, see the section of this proxy statement titled "Where You Can Find More Information."

Validus (page 37)

Validus is a Bermuda exempted company with its principal executive offices located at 29 Richmond Road, Pembroke, Bermuda HM 08. The telephone number of Validus is (441) 278-9000. Validus is a provider of reinsurance and insurance, conducting its operations worldwide through two wholly-owned subsidiaries, Validus Reinsurance, Ltd. ("Validus Re") and Talbot Holdings, Ltd. ("Talbot"). Validus Re is a Bermuda-based reinsurer focused on short-tail lines of reinsurance. Talbot is the Bermuda parent of the specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183. At March 31, 2011, Validus had total shareholders' equity of \$3.3 billion and total assets of \$7.8 billion. Validus Shares are listed on the NYSE under the symbol "VR" and, as of _____, 2011, the last practicable date prior to the filing of this proxy statement, Validus had a market capitalization of approximately \$ _____ billion. Validus has approximately 460 employees.

As of the date of the filing of this proxy statement with the SEC, Validus was the registered holder of 200 Transatlantic Shares, or less than 1% of the amount outstanding.

Transatlantic (page 37)

The following description of Transatlantic is taken from the Form S-4 filed by Allied World with the SEC on July 5, 2011 (the "Allied World/Transatlantic S-4").

Transatlantic is a holding company incorporated in the State of Delaware. Transatlantic, through its wholly-owned subsidiaries, Transatlantic Reinsurance Company® ("TRC"), Trans Re Zurich Reinsurance Company Ltd., acquired by TRC in 1996, and Putnam Reinsurance Company ("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 Transatlantic Shares.

Transatlantic Shares are listed on the NYSE under the ticker symbol "TRH." Transatlantic's principal executive offices are located at 80 Pine Street, New York, New York 10005 and its telephone number is 212-365-2200.

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Proposed Transatlantic Acquisition (page 25)

General

If the Share Issuance is approved by Validus Shareholders, Validus reserves the right to issue Validus Shares in connection with Validus' proposed acquisition of all of the outstanding Transatlantic Shares at an exchange ratio less than or equal to 1.5564, however effected, whether pursuant to the Merger Offer, the Exchange Offer and the Second-Step Merger, or otherwise. The Merger Offer, the Exchange Offer and the Second-Step Merger are described below.

On June 12, 2011, Transatlantic and Allied World entered into the Allied World Acquisition Agreement. Validus cannot consummate a Proposed Transatlantic Acquisition unless the Allied World Acquisition Agreement is terminated. If the Allied World Acquisition Agreement is terminated, Validus believes that a Proposed Transatlantic Acquisition could be completed in the fourth quarter of 2011.

The consummation of each of the Merger Offer and the Exchange Offer and the Second-Step Merger would require the issuance of Validus Shares. Based on Validus' and Transatlantic's respective capitalizations as of March 31, 2011, the proposed exchange ratio of 1.5564 Validus Shares per Transatlantic Share and assuming dissenters' rights are not properly exercised under Delaware law, Validus estimates that former Transatlantic stockholders would own, in the aggregate, approximately 48% of the issued and outstanding common shares of Validus on a fully-diluted basis following closing of a Proposed Transatlantic Acquisition.

Merger Offer (page 25 and Annex A)

On July 12, 2011, Validus publicly announced that it had delivered the Merger Offer to the Transatlantic Board to combine the businesses of Validus and Transatlantic through a merger transaction in which Validus would acquire all of the issued and outstanding Transatlantic Shares. The Merger Offer contemplates that Transatlantic 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, for each Transatlantic Share they own.

Transatlantic announced on July 19, 2011 that the Transatlantic Board had determined that the Merger Offer is reasonably likely to lead to a "superior proposal" under the terms of the Allied World Acquisition Agreement and that the failure to enter into discussions regarding the Merger Offer would result in a breach of the Transatlantic board of directors' fiduciary duties under applicable law. On July 23, 2011, Transatlantic delivered a form of confidentiality agreement for Validus' execution as a precondition to the commencement of discussions and exchange of confidential information. However, the form of confidentiality agreement included standstill provisions that would have prevented Validus from making the Exchange Offer directly to Transatlantic stockholders. Transatlantic would not agree to the removal of such restrictive provisions. Later that evening, Validus delivered a form of confidentiality agreement to Transatlantic that it would be prepared to execute, but has not received any response from Transatlantic as of the date of this proxy statement. While Validus continues to hope that it is possible to reach a consensual transaction with Transatlantic, Validus does not believe that it is in Transatlantic stockholders' best interests to give the Transatlantic Board unilateral control over whether the Exchange Offer is made available to Transatlantic stockholders.

A summary of the material terms and conditions of the terms of the Proposed Merger Agreement proposed by Validus to Transatlantic in connection with the Merger Offer is attached as Annex A hereto.

Exchange Offer and the Second-Step Merger (page 25 and Annex B)

On July 25, 2011, Validus commenced the Exchange Offer to acquire all of the issued and outstanding Transatlantic Shares pursuant to which Transatlantic stockholders would receive 1.5564

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Validus Shares and \$8.00 in cash (less applicable withholding taxes and without interest) per Transatlantic Share they own. Validus intends to, promptly after completion of the Exchange Offer, consummate the Second-Step Merger of Transatlantic with a wholly-owned subsidiary of Validus pursuant to which each Transatlantic Share not owned by Validus following the Exchange Offer (other than Transatlantic Shares held in treasury by Transatlantic and Transatlantic Shares held by Transatlantic stockholders who properly exercise applicable dissenter's rights under Delaware law) will be converted into the right to receive the same number of Validus Shares and the same amount of cash as are received by Transatlantic stockholders pursuant to the Exchange Offer. On July 28, 2011, Transatlantic filed a Solicitation/Recommendation Statement on Schedule 14D-9 reporting that the Transatlantic Board had met on July 26, 2010 and reaffirmed its support of the Proposed Allied World Acquisition, and that the Transatlantic Board had determined to recommend that Transatlantic stockholders reject the Exchange Offer and not tender their Transatlantic Shares pursuant to the Exchange Offer.

The terms and conditions of the Exchange Offer are contained in the prospectus/offer to exchange that forms a part of the registration statement on Form S-4 filed by Validus with the SEC on July 25, 2011 (as the same may be amended or supplemented from time to time, the "Validus S-4"). A summary of the conditions to the Exchange Offer is attached as Annex B hereto.

Anticipated Accounting Treatment (page 30)

Validus will account for the acquisition of Transatlantic Shares under the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805") under which the total consideration paid in a Proposed Transatlantic Acquisition will be allocated among acquired assets and assumed liabilities based on the fair values of the assets acquired and liabilities assumed. In the event there is an excess of the total consideration paid in the exchange offer over the fair values, the excess will be accounted for as goodwill. Intangible assets with definite lives will be amortized over their estimated useful lives. Goodwill resulting from the exchange offer will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that the management of Validus determines that the value of goodwill has become impaired, an accounting charge will be taken in the fiscal quarter in which such determination is made. In the event there is an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid in a Proposed Transatlantic Acquisition, the excess will be accounted for as a gain to be recognized through the income statement at the close of the transaction, in accordance with ASC 805. Validus anticipates the acquisition will result in an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid.

The Special Meeting (page 39)

The Special Meeting will be held on _____, 2011, at _____, Atlantic time, at 29 Richmond Road, Pembroke HM08 Bermuda. Validus Shareholders will be asked at the Special Meeting:

to approve the Share Issuance in connection with a Proposed Transatlantic Acquisition; and

to approve the adjournment of the meeting for the solicitation of additional proxies if there are not sufficient votes to approve the foregoing proposal.

You can vote at the Special Meeting only if you are a shareholder of record, as shown by the transfer books of Validus, at the close of business on _____, 2011, which is the Record Date for the Special Meeting.

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Recommendation of the Validus Board of Directors (page 28)

Validus' board of directors recommends that Validus shareholders vote "FOR" each of the Share Issuance Proposal and the Adjournment Proposal.

Reasons Why Validus' Board of Directors Recommends Approval of the Share Issuance (page 28)

Validus' board of directors recommends approval of the Share Issuance in order to issue Validus Shares that are necessary to effect the Proposed Transatlantic Acquisition. Validus' board of directors believes that an acquisition of Transatlantic represents a compelling combination and excellent strategic fit that will create a global reinsurance leader that would have leading positions in attractively priced short-tail lines, property-catastrophe in particular, and long-tail lines with attractive opportunities at the right point of the underwriting cycle, particularly as casualty rates improve and:

deploy capital effectively to maximize underwriting profitability and achieve superior growth in book value per share;

continue to aggressively manage capital, consistent with Validus' past practice; and

be a recognized leader in multiple classes, emphasizing short-tail lines while being well-positioned for cycle management.

In reaching these conclusions, and in recommending the approval of the Share Issuance, Validus' board of directors consulted with Validus management as well as Validus' legal and financial advisors and considered a number of factors. Those factors included, but were not limited to, those set forth under the section of this proxy statement titled "The Proposed Transatlantic Acquisition Reasons Why Validus' Board of Directors Recommends Approval of the Share Issuance."

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VALIDUS

Set forth below is certain selected historical consolidated financial data relating to Validus. The financial data has been derived from Validus' Quarterly Report on Form 10-Q for the three months ended March 31, 2011, which is incorporated by reference into this proxy statement, and which we refer to as the "Validus 10-Q," and Validus' Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated into this proxy statement, and which we refer to as the "Validus 10-K." You should not take historical results as necessarily indicative of the results that may be expected for any future period.

This financial data should be read in conjunction with the financial statements and the related notes and other financial information contained in the Validus 10-Q and the Validus 10-K. More comprehensive financial information, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," is contained in the Validus 10-Q and Validus 10-K, and the following summary is qualified in its entirety by reference to the Validus 10-Q and Validus 10-K and all of the financial information and notes contained therein. See the section of this proxy statement titled "Where You Can Find More Information."

The following table sets forth summarized operational data for the periods ended December 31, 2010, 2009, 2008, 2007 and 2006 and March 31, 2011 and March 31, 2010:

	Three Months Ended March 31,		Year Ended December 31,				
	2011	2010	2010	2009(12)	2008	2007	2006
(Dollars in thousands, except share and per share amounts)							
Revenues							
Gross premiums written	\$ 849,896	\$ 870,934	\$ 1,990,566	\$ 1,621,241	\$ 1,362,484	\$ 988,637	\$ 540,789
Reinsurance premiums ceded	(109,820)	(90,739)	(229,482)	(232,883)	(124,160)	(70,210)	(63,696)
Net premiums written	740,076	780,195	1,761,084	1,388,358	1,238,324	918,427	477,093
Change in unearned premiums	(310,543)	(322,501)	39	61,219	18,194	(60,348)	(170,579)
Net premiums earned	429,533	457,694	1,761,123	1,449,577	1,256,518	858,079	306,514
Gain on bargain purchase, net of expenses(13)				287,099			
Net investment income	29,975	34,299	134,103	118,773	139,528	112,324	58,021
Realized gain on repurchase of debentures				4,444	8,752		
Net realized gains (losses) on investments	6,379	11,398	32,498	(11,543)	(1,591)	1,608	(1,102)
Net unrealized (losses) gains on investments	(12,828)	15,413	45,952	84,796	(79,707)	12,364	
Other income	1,606	888	5,219	4,634	5,264	3,301	
Foreign exchange (losses) gains	(467)	(8,764)	1,351	(674)	(49,397)	6,696	2,157
Total revenues	454,198	510,928	1,980,246	1,937,106	1,279,367	994,372	365,590
Expenses							
Losses and loss expenses	476,198	478,531	987,586	523,757	772,154	283,993	91,323
Policy acquisition costs	77,296	76,176	292,899	262,966	234,951	134,277	36,072
General and administrative expenses(1)	48,477	53,569	209,290	185,568	123,948	100,765	38,354
Share compensation expenses	12,049	6,576	28,911	27,037	27,097	16,189	7,878
Finance expenses	14,001	15,151	55,870	44,130	57,318	51,754	8,789
Fair value of warrants issued						2,893	77
Total expenses	628,021	630,003	1,574,556	1,043,458	1,215,468	589,871	182,493
Net (loss) income before taxes							
	(173,823)	(119,075)	405,690	893,648	63,899	404,501	183,097
Taxes	1,459	697	(3,126)	3,759	(10,788)	(1,505)	
Net (loss) income	\$ (172,364)	\$ (118,378)	\$ 402,564	\$ 897,407	53,111	402,996	183,097

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	Three Months Ended March 31,		Year Ended December 31,				
	2011	2010	2010	2009(12)	2008	2007	2006
(Dollars in thousands, except share and per share amounts)							
Comprehensive (loss) income							
Unrealized gains arising during the period(2)							(332)
Foreign currency translation adjustments	957	(1,807)	(604)	3,007	(7,809)	(49)	
Adjustment for reclassification of losses realized in income							1,102
Comprehensive (loss) income	\$ (171,407)	\$ (120,185)	\$ 401,960	\$ 900,414	\$ 45,302	\$ 402,947	\$ 183,867
Earnings per share(3)							
Weighted average number of common shares and common share equivalents outstanding							
Basic	97,944,340	126,633,277	116,018,364	93,697,194	74,677,903	65,068,093	58,477,130
Diluted	97,944,340	126,633,277	120,630,945	97,168,409	75,819,413	67,786,673	58,874,567
Basic (loss) earnings per share	\$ (1.78)	\$ (0.95)	\$ 3.41	\$ 9.51	\$ 0.62	\$ 6.19	\$ 3.13
Diluted (loss) earnings per share	\$ (1.78)	\$ (0.95)	\$ 3.34	\$ 9.24	\$ 0.61	\$ 5.95	\$ 3.11
Cash dividends per share	\$ 0.25	0.22	\$ 0.88	\$ 0.80	\$ 0.80	\$	\$
Selected financial ratios							
Losses and loss expenses ratio(4)	110.9%	104.6%	56.1%	36.1%	61.5%	33.1%	29.8%
Policy acquisition cost ratio(5)	18.0%	16.6%	16.6%	18.1%	18.7%	15.6%	11.8%
General and administrative expense ratio(6)	14.1%	13.1%	13.5%	14.7%	12.0%	13.3%	15.1%
Expense ratio(7)	32.1%	29.7%	30.1%	32.8%	30.7%	28.9%	26.9%
Combined ratio(8)	143.0%	134.3%	86.2%	68.9%	92.2%	62.0%	56.7%
Return on average equity(9)	(20.2)%	(12.2)%	10.8%	31.8%	2.7%	26.9%	17.0%

The following table sets forth summarized balance sheet data as of December 31, 2010, 2009, 2008, 2007 and 2006 and March 31, 2011 and March 31, 2010:

	As of March 31,		As of December 31,				
	2011	2010	2010	2009	2008	2007	2006
(Dollars in thousands, except share and per share amounts)							
Summary Balance Sheet Data:							
Investments at fair value	\$ 5,175,241	\$ 5,523,942	\$ 5,118,859	\$ 5,388,759	\$ 2,831,537	\$ 2,662,021	\$ 1,376,387
Cash and cash equivalents	717,444	478,476	620,740	387,585	449,848	444,698	63,643
Total assets	7,825,690	7,632,576	7,060,878	7,019,140	4,322,480	4,144,224	1,646,423
Reserve for losses and loss expenses	2,534,415	1,976,889	2,035,973	1,622,134	1,305,303	926,117	77,363
Unearned premiums	1,083,164	1,083,591	728,516	724,104	539,450	557,344	178,824
Senior notes payable	246,901	246,793	246,874				
Debentures payable	289,800	289,800	289,800	289,800	304,300	350,000	150,000
Total liabilities	4,510,369	3,873,011	3,556,047	2,988,020	2,383,746	2,209,424	453,900
Total shareholders' equity	3,315,321	3,759,565	3,504,831	4,031,120	1,938,734	1,934,800	1,192,523
Book value per common share(10)	33.73	30.34	35.76	31.38	25.64	26.08	20.39
Diluted book value per common share(11)	31.32	28.66	32.98	29.68	23.78	24.00	19.73

(1)

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General and administrative expenses for the years ended December 31, 2007 and 2006 include \$4,000,000 and \$1,000,000 respectively, related to our advisory agreement with Aquiline Capital Partners, LLC, which, together with its related companies, we refer to as "Aquiline." Our advisory agreement with Aquiline terminated upon completion of our initial public offering, in connection with which Validus recorded general and administrative expense of \$3,000,000 in the year ended December 31, 2007.

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- (2) Validus adopted ASC 820 and ASC 825 as of January 1, 2007 and elected the fair value option on all securities previously accounted for as available-for-sale. Unrealized gains and losses on available-for-sale investments at December 31, 2006 of \$875,000, previously included in accumulated other comprehensive income, were treated as a cumulative-effect adjustment as of January 1, 2007. The cumulative-effect adjustment transferred the balance of unrealized gains and losses from accumulated other comprehensive income to retained earnings and had no impact on the results of operations for the annual or interim periods beginning January 1, 2007. Validus' investments were accounted for as trading for the annual or interim periods beginning January 1, 2007 and as such all unrealized gains and losses are included in net income.
- (3) ASC 718 requires that any unrecognized stock-based compensation expense that will be recorded in future periods be included as proceeds for purposes of treasury stock repurchases, which is applied against the unvested restricted shares balance. On March 1, 2007 we effected a 1.75 for 1 reverse stock split of outstanding Validus common shares. The stock split does not affect our financial statements other than to the extent it decreases the number of outstanding shares and correspondingly increases per share information for all periods presented. The share consolidation has been reflected retroactively in this financial data.
- (4) The losses and loss expense ratio is calculated by dividing losses and loss expenses by net premiums earned.
- (5) The policy acquisition cost ratio is calculated by dividing policy acquisition costs by net premiums earned.
- (6) The general and administrative expense ratio is calculated by dividing the sum of general and administrative expenses and share compensation expenses by net premiums earned. The general and administrative expense ratio for the year ended December 31, 2007 is calculated by dividing the total of general and administrative expenses plus share compensation expenses less the \$3,000,000 termination fee payable to Aquiline by net premiums earned.
- (7) The expense ratio is calculated by combining the policy acquisition cost ratio and the general and administrative expense ratio.
- (8) The combined ratio is calculated by combining the losses and loss expense ratio, the policy acquisition cost ratio and the general and administrative expense ratio.
- (9) Annualized return on average equity is calculated by dividing the net income for the period by the average shareholders' equity during the period. Annual average shareholders' equity is the average of the beginning, ending and intervening quarter-end shareholders' equity balances.
- (10) Book value per common share is defined as total shareholders' equity divided by the number of Validus common shares outstanding as at the end of the period, giving no effect to dilutive securities.
- (11) Diluted book value per common share is calculated based on total shareholders' equity plus the assumed proceeds from the exercise of outstanding options and warrants, divided by the sum of common shares, unvested restricted shares, options and warrants outstanding (assuming their exercise). Diluted book value per common share is a Non-GAAP financial measure as described under Item 7, "Management's Discussion and Analysis of Financial condition and Results of Operations Financial Measures," in the Form 10-K.
- (12) Operating results of IPC Holdings, Ltd. have been included from the September 2009 date of acquisition.
- (13) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. in September 2009 and is net of transaction expenses.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF TRANSATLANTIC**

The following disclosure is taken from Transatlantic's Quarterly Report on Form 10-Q for the three months ended March 31, 2011, which we refer to as the "Transatlantic 10-Q," and Transatlantic's Annual Report on Form 10-K for the year ended December 31, 2010, which we refer to as the "Transatlantic 10-K."

Set forth below is certain selected historical consolidated financial data relating to Transatlantic. The financial data has been derived from the Transatlantic 10-Q, which is incorporated by reference into this proxy statement, and the Transatlantic 10-K, which is incorporated by reference into this proxy statement. You should not take historical results as necessarily indicative of the results that may be expected for any future period.

This financial data should be read in conjunction with the financial statements and the related notes and other financial information contained in the Transatlantic 10-Q and the Transatlantic 10-K. More comprehensive financial information, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," is contained in other documents filed by Transatlantic with the SEC, and the following summary is qualified in its entirety by reference to such other documents and all of the financial information and notes contained in those documents. See the section of this proxy statement titled "Where You Can Find More Information."

The following table sets forth summarized balance sheet data as of March 31, 2011 and 2010, and as of December 31, 2010, 2009, 2008, 2007 and 2006:

	Three Months Ended March 31,		Years Ended December 31,				2006
	2011	2010	2010	2009	2008	2007	
	(Dollars in thousands, except per share amounts and ratios)						
Total investments	\$ 13,152,050	\$ 12,178,336	\$ 12,972,739	\$ 12,315,395	\$ 10,229,557	\$ 12,500,540	\$ 11,130,832
Cash and cash equivalents	331,307	423,784	284,491	195,723	288,920	255,432	205,264
Total assets	16,335,382	15,134,408	15,705,354	14,943,659	13,376,938	15,484,327	14,268,464
Unpaid losses and loss adjustment expenses	9,773,978	8,706,265	9,020,610	8,609,105	8,124,482	7,926,261	7,467,949
Unearned premiums	1,321,276	1,243,803	1,212,535	1,187,526	1,220,133	1,226,647	1,144,022
Senior notes	1,005,683	1,033,193	1,030,511	1,033,087	722,243	746,930	746,633
Total stockholders' equity	4,041,373	3,985,114	4,284,459	4,034,380	3,198,220	3,349,042	2,958,270
Book value per common share(1)	\$ 64.69	\$ 61.97	\$ 68.83	\$ 60.77	\$ 48.19	\$ 50.56	\$ 44.80

(1) Book value per common share is stockholders' equity divided by common shares outstanding.

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The following table sets forth operational data as of March 31, 2011 and 2010, and as of December 31, 2010, 2009, 2008, 2007 and 2006:

	Three Months Ended March 31,		Years Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
(Dollars in thousands, except per share amounts and ratios)							
Net premiums written	\$ 1,043,824	\$ 1,026,299	\$ 3,881,693	\$ 3,986,101	\$ 4,108,092	\$ 3,952,899	\$ 3,633,440
Net premiums earned	\$ 956,829	\$ 992,595	\$ 3,858,620	\$ 4,039,082	\$ 4,067,389	\$ 3,902,669	\$ 3,604,094
Net losses and loss adjustment expenses incurred	(1,169,052)	(786,324)	(2,681,774)	(2,679,171)	(2,907,227)	(2,638,033)	(2,462,666)
Net commissions	(241,001)	(234,512)	(932,820)	(927,918)	(980,626)	(980,121)	(903,666)
Increase (decrease) in deferred policy acquisition costs	32,160	5,500	2,898	(12,406)	6,956	16,901	13,471
Other underwriting expenses	(36,725)	(44,129)	(177,624)	(158,181)	(131,555)	(115,760)	(102,339)
Underwriting (loss) profit(1)	(457,789)	(66,870)	69,300	261,406	54,937	185,656	148,894
Net investment income	106,840	112,610	473,547	467,402	440,451	469,772	434,540
Realized net capital gains (losses)(2)	55,412	(1,889)	30,101	(70,641)	(435,541)	9,389	10,862
(Loss) gain on early extinguishment of debt	(1,179)		(115)	9,869	10,250		
Interest on senior notes	(16,894)	(17,086)	(68,272)	(43,454)	(43,359)	(43,421)	(43,405)
Other expenses, net	(7,152)	(7,685)	(31,773)	(28,549)	(23,515)	(25,644)	(10,983)
(Loss) income before income taxes	(320,762)	19,080	472,788	596,033	3,223	595,752	539,908
Income (taxes) benefits	130,610	(3,205)	(70,587)	(118,371)	99,031	(108,611)	(111,756)
Net (loss) income	\$ (190,152)	\$ 15,875	\$ 402,201	\$ 477,662	\$ 102,254	\$ 487,141	\$ 428,152
Per Common Share:							
Net (loss) income:							
Basic	\$ (3.05)	\$ 0.24	\$ 6.28	\$ 7.20	\$ 1.54	\$ 7.37	\$ 6.49
Diluted	(3.05)	0.24	6.19	7.15	1.53	7.31	6.46
Cash dividends declared	0.21	0.20	0.83	0.79	0.73	0.62	0.53
Share Data:							
Weighted average common shares outstanding:							
Basic	62,365	65,879	64,092	66,381	66,270	66,124	65,955
Diluted	62,365	66,551	64,930	66,802	66,722	66,654	66,266
Ratios:(3)							
Loss ratio	122.2%	79.2%	69.5%	66.3%	71.5%	67.6%	68.3%
Commission ratio	21.8	23.1	24.1	23.3	23.9	24.7	24.7
Other underwriting expense ratio	3.8	4.4	4.6	3.9	3.2	2.9	2.9
Underwriting expense ratio	25.6	27.5	28.7	27.2	27.1	27.6	27.6
Combined ratio	147.8%	106.7%	98.2%	93.5%	98.6%	95.2%	95.9%

- (1) Includes pre-tax net catastrophe (costs) of (\$545) million in the first quarter of 2011, (\$130) million in the first quarter 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 (\$2) million in the first quarter of 2011, (\$6) million in the first quarter 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

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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.

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The following selected unaudited condensed consolidated pro forma financial information is intended to provide you with information about how the acquisition of Transatlantic might have affected the historical financial statements of Validus if it had been consummated at earlier times. The selected unaudited condensed consolidated pro forma financial information is for illustrative purposes only and has been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic's books and records. Therefore, certain pro forma adjustments, such as recording fair value of assets and liabilities and adjustments for consistency of accounting policy, are not reflected in these selected unaudited condensed consolidated pro forma financial statements. The following selected unaudited condensed consolidated pro forma financial information does not necessarily reflect the financial position or results of operations that would have actually resulted had the acquisition occurred as of the dates indicated, nor should they be taken as necessarily indicative of the future financial position or results of operations of Validus or a combined company. For a summary of the proposed business combination contemplated by the Proposed Transatlantic Acquisition see the section of this proxy statement entitled "The Proposed Transatlantic Acquisition."

The selected unaudited condensed consolidated pro forma financial information should be read in conjunction with the Validus 10-Q, the Validus 10-K, the Transatlantic 10-Q and the Transatlantic 10-K, each as filed with the SEC. The selected unaudited condensed consolidated pro forma financial information gives effect to the proposed acquisition as if it had occurred at March 31, 2011 for the purposes of the unaudited consolidated pro forma balance sheet and at January 1, 2010 for the purposes of the unaudited condensed consolidated pro forma statements of operations for the year ended December 31, 2010 and the three months ended March 31, 2011.

This pro forma information is subject to risks and uncertainties, including those discussed in the section of this proxy statement titled "Risk Factors."

The following table sets forth summarized pro forma statement of operations data as of March 31, 2011 and December 31, 2010:

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
	(Dollars in thousands, except share and per share amounts)	
Revenues		
Gross premiums written	\$ 1,971,768	\$ 6,118,376
Reinsurance premiums ceded	(187,868)	(475,599)
Net premiums written	1,783,900	5,642,777
Change in unearned premiums	(397,538)	(23,034)
Net premiums earned	1,386,362	5,619,743
Net investment income	135,718	602,608
Net realized losses on investments	63,291	70,571
Net unrealized losses on investments	(82,751)	(17,557)
Loss on early extinguishment of debt	(1,179)	(115)
Other income	1,606	5,219
Foreign exchange losses	(467)	1,351
Total revenues	1,502,580	6,281,820

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	Three Months Ended March 31, 2011	Year Ended December 31, 2010
	(Dollars in thousands, except share and per share amounts)	
Expenses		
Losses and loss expenses	1,645,250	3,669,360
Policy acquisition costs	286,137	1,222,821
General and administrative expenses	83,529	383,387
Share compensation expenses	20,874	64,211
Finance expenses	34,958	140,392
Total expenses	2,070,748	5,480,171
Net (loss) income before taxes	(568,168)	801,649
Income tax benefit (expense)	156,339	(52,786)
Net (loss) income	(411,829)	748,863
Comprehensive (loss) income		
Foreign currency translation adjustments, net of tax	6,161	119,957
Net unrealized appreciation (depreciation) of investments, net of tax		
Change in retirement plan liability, net of tax	(554)	452
Comprehensive (loss) income	\$ (406,222)	\$ 869,272
Earnings per share		
Weighted average number of common shares and common share equivalents outstanding		
Basic	195,181,228	213,255,252
Diluted	195,181,228	219,172,096
Basic (loss) earnings per share	\$ (2.12)	\$ 3.48
Diluted (loss) earnings per share	\$ (2.12)	\$ 3.42
Selected financial ratios		
Losses and loss expenses ratio	118.7%	65.2%
Policy acquisition cost ratio	20.6%	21.8%
General and administrative expense ratio	7.5%	8.0%
Expense ratio	28.1%	29.8%
Combined ratio	146.8%	95.0%

The following table sets forth summarized pro forma balance sheet data as of March 31, 2011:

	As of March 31, 2011 (Dollars in thousands, except share and per share amounts)	
Summary Balance Sheet Data:		
Investments at fair value	\$	18,227,028
Cash and cash equivalents		1,048,751
Total assets		24,208,418
Reserve for losses and loss expenses		12,801,276
Unearned premiums		2,401,802
Senior notes payable and credit facility payable		1,752,584
Debentures Payable		289,800
Total liabilities		17,789,101
Total shareholders' equity		6,419,317
Book value per common share		32.83
Diluted book value per common share		31.32

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The Transatlantic historical per share data is taken from the Allied World/Transatlantic S-4. The pro forma combined data is taken from the "Selected Unaudited Condensed Consolidated Pro Forma Financial Information" above.

The historical earnings per share, dividends, and book value of Validus and Transatlantic shown in the table below are derived from their respective audited consolidated financial statements as of and for the year ended December 31, 2010 and unaudited consolidated financial statements as of and for the three months ended March 31, 2010. The unaudited pro forma comparative basic and diluted earnings per share data give effect to Proposed Transatlantic Acquisition using the purchase method of accounting as if the acquisition had been completed on January 1, 2010. The unaudited pro forma book value and diluted book value per share information was computed as if the acquisition had been completed on December 31, 2010 and March 31, 2011.

The historical earnings per share, dividends, and book value of Validus and Transatlantic shown in the table below are derived from their respective audited consolidated financial statements as of and for the year ended December 31, 2010 and unaudited consolidated financial statements as of and for the three months ended March 31, 2011. The unaudited pro forma comparative basic and diluted earnings per share data give effect to the acquisition using the purchase method of accounting as if the acquisition had been completed on January 1, 2010. The unaudited pro forma book value and diluted book value per share information was computed as if the acquisition had been completed on December 31, 2010 and March 31, 2011. You should read this information in conjunction with the historical financial information of Validus and of Transatlantic included or incorporated elsewhere in this proxy statement, including Validus' and Transatlantic's financial statements and related notes thereto. The unaudited pro forma data is not necessarily indicative of actual results had the acquisition occurred during the periods indicated. The unaudited pro forma data is not necessarily indicative of future operations of Validus.

This pro forma information is subject to risks and uncertainties, including those discussed in the section of this proxy statement titled "Risk Factors."

Per share data for the year ended December 31, 2010:

	Historical Validus(1)	Historical Transatlantic	Validus Pro forma combined	Equivalent per share of Transatlantic common stock(1)(2)	Equivalent per share of Transatlantic common stock(1)(2)
(For the year ended December 31, 2010)					
Basic earnings per common share	\$ 3.41	\$ 6.28	\$ 3.48	\$ 5.42	\$ 5.42
Diluted earnings per common share	\$ 3.34	\$ 6.19	\$ 3.42	\$ 5.32	\$ 5.32
Diluted operating earnings per common share(3)	\$ 2.68	\$ 5.89	\$ 3.13	\$ 4.87	\$ 4.87
Cash dividends declared per common share	\$ 0.88	\$ 0.83	\$ 0.88	\$ 1.37	\$ 1.37
Book value per common share (at period end)	\$ 35.76	\$ 68.83	\$ 35.11	\$ 54.64(4)	\$ 58.63(5)
Diluted book value per common share (at period end)	\$ 32.98	\$ 66.77	\$ 33.32	\$ 51.86(4)	\$ 55.48(5)

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Per share data for the period ended March 31, 2011:

	Historical Validus(1)	Historical Transatlantic	Validus Pro forma combined	Equivalent per share of Transatlantic common stock(1)(2)	Equivalent per share of Transatlantic common stock(1)(2)
(For the three months ended March 31, 2011)					
Basic loss per common share	\$ (1.78)	\$ (3.05)	\$ (2.12)	\$ (3.30)	\$ (3.30)
Diluted loss per common share	\$ (1.78)	\$ (3.05)	\$ (2.12)	\$ (3.30)	\$ (3.30)
Diluted operating earnings per common share(3)	\$ (1.69)	\$ (3.61)	\$ (2.03)	\$ (3.16)	\$ (3.16)
Cash dividends declared per common share	\$ 0.25	\$ 0.21	\$ 0.25	\$ 0.39	\$ 0.39
Book value per common share (at period end)					