

VALIDUS HOLDINGS LTD  
Form PRER14A  
August 19, 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 (Amendment No. 1)

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.**

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(Name of Registrant as Specified In Its Charter)

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(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 19, 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 19, 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 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.

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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. Subsequently, representatives of Validus and Transatlantic met to discuss the form of confidentiality agreement but could not come to an agreement regarding the removal of the standstill provisions proposed by Transatlantic. 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, 2011 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 June 30, 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.

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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.**

**As described in the section of this prospectus/offer to exchange titled "Risk Factors" on page 24, Validus has only conducted a review of Transatlantic's publicly available information and has not had access to Transatlantic's non-public information. As a result, Transatlantic stockholders should be aware that statements in this prospectus/offer to exchange regarding synergies that could arise as a result of the proposed transaction, Transatlantic's strategic fit with Validus, the structural flexibility of a combined company and similar statements reflecting the potential results of a combination of Validus and Transatlantic are based exclusively on publicly available information.**

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 June 30, 2011 and the proposed exchange ratio of 1.5564 Validus Shares per Transatlantic Share, Validus estimates that it would need to issue 97,249,766 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:

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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

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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 June 30, 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 June 30, 2011, Validus had total shareholders' equity of \$3.5 billion and total assets of \$8.3 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 27)**

*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 June 30, 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 27 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. Subsequently, representatives of Validus and Transatlantic met to discuss the form of confidentiality agreement but could not come to an agreement regarding the removal of the standstill provisions proposed by Transatlantic. 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.

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***Exchange Offer and the Second-Step Merger (page 27 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 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 33)***

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 42)**

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.

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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.

***Recommendation of the Validus Board of Directors (page 31)***

**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 31)***

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 six months ended June 30, 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."

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The following table sets forth summarized operational data for the periods ended December 31, 2010, 2009, 2008, 2007 and 2006 and June 30, 2011 and June 30, 2010:

	Six Months Ended June 30,		Year Ended December 31,				
	2011	2010	2010	2009(12)	2008	2007	2006
	(Dollars in thousands, except share and per share amounts)						
<b>Revenues</b>							
Gross premiums written	\$ 1,455,283	\$ 1,387,795	\$ 1,990,566	\$ 1,621,241	\$ 1,362,484	\$ 988,637	\$ 540,789
Reinsurance premiums ceded	(242,166)	(158,465)	(229,482)	(232,883)	(124,160)	(70,210)	(63,696)
Net premiums written	1,213,117	1,229,330	1,761,084	1,388,358	1,238,324	918,427	477,093
Change in unearned premiums	(357,944)	(333,692)	39	61,219	18,194	(60,348)	(170,579)
Net premiums earned	855,173	895,638	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	56,469	69,108	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	17,931	23,839	32,498	(11,543)	(1,591)	1,608	(1,102)
Net unrealized (losses) gains on investments	5,698	57,053	45,952	84,796	(79,707)	12,364	
Other income	2,201	3,585	5,219	4,634	5,264	3,301	
Foreign exchange (losses) gains	(2,458)	(12,863)	1,351	(674)	(49,397)	6,696	2,157
<b>Total revenues</b>	<b>935,014</b>	<b>1,036,360</b>	<b>1,980,246</b>	<b>1,937,106</b>	<b>1,279,367</b>	<b>994,372</b>	<b>365,590</b>
<b>Expenses</b>							
Losses and loss expenses	683,505	673,425	987,586	523,757	772,154	283,993	91,323
Policy acquisition costs	155,526	150,302	292,899	262,966	234,951	134,277	36,072
General and administrative expenses(1)	109,318	105,948	209,290	185,568	123,948	100,765	38,354
Share compensation expenses	19,677	13,422	28,911	27,037	27,097	16,189	7,878
Finance expenses	30,362	28,369	55,870	44,130	57,318	51,754	8,789
Fair value of warrants issued						2,893	77
<b>Total expenses</b>	<b>998,388</b>	<b>971,466</b>	<b>1,574,556</b>	<b>1,043,458</b>	<b>1,215,468</b>	<b>589,871</b>	<b>182,493</b>
<b>Net (loss) income before taxes</b>	<b>(63,374)</b>	<b>64,894</b>	<b>405,690</b>	<b>893,648</b>	<b>63,899</b>	<b>404,501</b>	<b>183,097</b>
Taxes	1,488	(3,490)	(3,126)	3,759	(10,788)	(1,505)	
<b>Net (loss) income</b>	<b>(61,886)</b>	<b>61,404</b>	<b>402,564</b>	<b>897,407</b>	<b>53,111</b>	<b>402,996</b>	<b>183,097</b>
Net income attributable to non controlling interest	(594)						
Net income (loss) available (attributable) to Validus	\$ (62,480)	\$ 61,404	\$ 402,564	\$ 897,407	\$ 53,111	\$ 402,996	\$ 183,097
<b>Comprehensive (loss) income</b>							
Unrealized gains arising during the period(2)							(332)
Foreign currency translation adjustments	936	(1,875)	(604)	3,007	(7,809)	(49)	
Adjustment for reclassification of losses realized in income							1,102
Comprehensive (loss) income	\$ (61,544)	\$ 59,529	\$ 401,960	\$ 900,414	\$ 45,302	\$ 402,947	\$ 183,867

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	Six Months Ended June 30,			Year Ended December 31,			
	2011	2010	2010	2009(12)	2008	2007	2006
(Dollars in thousands, except share and per share amounts)							
<b>Earnings per share(3)</b>							
Weighted average number of common shares and common share equivalents outstanding							
Basic	98,165,132	123,821,415	116,018,364	93,697,194	74,677,903	65,068,093	58,477,130
Diluted	98,165,132	125,661,729	120,630,945	97,168,409	75,819,413	67,786,673	58,874,567
Basic (loss) earnings per share	\$ (0.68)	\$ 0.47	\$ 3.41	\$ 9.51	\$ 0.62	\$ 6.19	\$ 3.13
Diluted (loss) earnings per share	\$ (0.68)	\$ 0.46	\$ 3.34	\$ 9.24	\$ 0.61	\$ 5.95	\$ 3.11
Cash dividends per share	\$ 0.50	0.44	\$ 0.88	\$ 0.80	\$ 0.80	\$	\$
<b>Selected financial ratios</b>							
Losses and loss expenses ratio(4)	79.9%	75.2%	56.1%	36.1%	61.5%	33.1%	29.8%
Policy acquisition cost ratio(5)	18.2%	16.8%	16.6%	18.1%	18.7%	15.6%	11.8%
General and administrative expense ratio(6)	15.1%	13.3%	13.5%	14.7%	12.0%	13.3%	15.1%
Expense ratio(7)	33.3%	30.1%	30.1%	32.8%	30.7%	28.9%	26.9%
Combined ratio(8)	113.2%	105.3%	86.2%	68.9%	92.2%	62.0%	56.7%
Return on average equity(9)	(3.7)%	3.2%	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 June 30, 2011 and June 30, 2010:

	As of June 30,			As of December 31,			
	2011	2010	2010	2009	2008	2007	2006
(Dollars in thousands, except share and per share amounts)							
<b>Summary Balance Sheet Data:</b>							
Investments at fair value	\$ 5,347,538	\$ 5,270,869	\$ 5,118,859	\$ 5,388,759	\$ 2,831,537	\$ 2,662,021	\$ 1,376,387
Cash and cash equivalents	815,921	492,489	620,740	387,585	449,848	444,698	63,643
Total assets	8,259,788	7,614,623	7,060,878	7,019,140	4,322,480	4,144,224	1,646,423
Reserve for losses and loss expenses	2,620,360	1,978,130	2,035,973	1,622,134	1,305,303	926,117	77,363
Unearned premiums	1,192,772	1,176,603	728,516	724,104	539,450	557,344	178,824
Senior notes payable	246,928	246,820	246,874				
Debentures payable	289,800	289,800	289,800	289,800	304,300	350,000	150,000
Total liabilities	4,716,576	4,011,697	3,556,047	2,988,020	2,383,746	2,209,424	453,900
Total shareholders' equity	3,543,212	3,602,926	3,504,831	4,031,120	1,938,734	1,934,800	1,192,523
Book value per common share(10)	34.51	32.34	35.76	31.38	25.64	26.08	20.39
Diluted book value per common share(11)	31.91	30.30	32.98	29.68	23.78	24.00	19.73

- (1) 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.
- (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.



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- (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 available to Validus 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 six months ended June 30, 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 June 30, 2011 and 2010, and as of December 31, 2010, 2009, 2008, 2007 and 2006:

	<b>Six Months Ended June 30,</b>		<b>Years Ended December 31,</b>				<b>2006</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	
	<b>(Dollars in thousands, except per share amounts and ratios)</b>						
Total investments	\$ 13,510,673	\$ 12,301,043	\$ 12,972,739	\$ 12,315,395	\$ 10,229,557	\$ 12,500,540	\$ 11,130,832
Cash and cash equivalents	341,673	327,530	284,491	195,723	288,920	255,432	205,264
Total assets	16,706,353	15,249,845	15,705,354	14,943,659	13,376,938	15,484,327	14,268,464
Unpaid losses and loss adjustment expenses	9,950,709	8,789,300	9,020,610	8,609,105	8,124,482	7,926,261	7,467,949
Unearned premiums	1,349,101	1,183,155	1,212,535	1,187,526	1,220,133	1,226,647	1,144,022
Senior notes	1,005,785	1,033,298	1,030,511	1,033,087	722,243	746,930	746,633
Total stockholders' equity	4,233,932	4,049,606	4,284,459	4,034,380	3,198,220	3,349,042	2,958,270
Book value per common share(1)	\$ 67.76	\$ 63.53	\$ 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 June 30, 2011 and 2010, and as of December 31, 2010, 2009, 2008, 2007 and 2006:

	Six Months Ended June 30,		Years Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
(Dollars in thousands, except per share amounts and ratios)							
Net premiums written	\$ 2,040,472	\$ 1,973,888	\$ 3,881,693	\$ 3,986,101	\$ 4,108,092	\$ 3,952,899	\$ 3,633,440
Net premiums earned	\$ 1,911,758	\$ 1,966,347	\$ 3,858,620	\$ 4,039,082	\$ 4,067,389	\$ 3,902,669	\$ 3,604,094
Net losses and loss adjustment expenses incurred	(1,850,178)	(1,437,867)	(2,681,774)	(2,679,171)	(2,907,227)	(2,638,033)	(2,462,666)
Net commissions	(481,202)	(473,341)	(932,820)	(927,918)	(980,626)	(980,121)	(903,666)
Increase (decrease) in deferred policy acquisition costs	43,420	(2,615)	2,898	(12,406)	6,956	16,901	13,471
Other underwriting expenses	(77,326)	(88,828)	(177,624)	(158,181)	(131,555)	(115,760)	(102,339)
Underwriting (loss) profit(1)	(453,528)	(36,304)	69,300	261,406	54,937	185,656	148,894
Net investment income	226,348	228,384	473,547	467,402	440,451	469,772	434,540
Realized net capital gains (losses)(2)	54,646	6,388	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	(33,587)	(34,142)	(68,272)	(43,454)	(43,359)	(43,421)	(43,405)
Other expenses, net	(18,725)	(14,651)	(31,773)	(28,549)	(23,515)	(25,644)	(10,983)
(Loss) income before income taxes	(226,025)	149,675	472,788	596,033	3,223	595,752	539,908
Income (taxes) benefits	116,755	(23,290)	(70,587)	(118,371)	99,031	(108,611)	(111,756)
Net (loss) income	\$ (109,270)	\$ 126,385	\$ 402,201	\$ 477,662	\$ 102,254	\$ 487,141	\$ 428,152
<b>Per Common Share:</b>							
Net (loss) income:							
Basic	\$ (1.75)	\$ 1.94	\$ 6.28	\$ 7.20	\$ 1.54	\$ 7.37	\$ 6.49
Diluted	(1.75)	1.92	6.19	7.15	1.53	7.31	6.46
Cash dividends declared	0.43	0.41	0.83	0.79	0.73	0.62	0.53
<b>Share Data:</b>							
Weighted average common shares outstanding:							
Basic	62,430	65,085	64,092	66,381	66,270	66,124	65,955
Diluted	62,430	65,785	64,930	66,802	66,722	66,654	66,266
<b>Ratios:(3)</b>							
Loss ratio	96.8%	73.1%	69.5%	66.3%	71.5%	67.6%	68.3%
Commission ratio	22.9	24.2	24.1	23.3	23.9	24.7	24.7
Other underwriting expense ratio	4.0	4.5	4.6	3.9	3.2	2.9	2.9
Underwriting expense ratio	26.9	28.7	28.7	27.2	27.1	27.6	27.6
Combined ratio	123.7%	101.8%	98.2%	93.5%	98.6%	95.2%	95.9%

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- (1) Includes pre-tax net catastrophe (costs) of \$(612) million in the first six months of 2011, \$(157) million in the first six 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 six months of 2011, (\$6) million in the first six 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.

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**SELECTED UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION**

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 June 30, 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 six months ended June 30, 2011.

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

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The following table sets forth summarized pro forma statement of operations data as of June 30, 2011 and December 31, 2010:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in thousands, except share and per share amounts)	
<b>Revenues</b>		
Gross premiums written	\$ 3,603,695	\$ 6,118,376
Reinsurance premiums ceded	(350,106)	(475,599)
Net premiums written	3,253,589	5,642,777
Change in unearned premiums	(486,658)	(23,034)
Net premiums earned	2,766,931	5,619,743
Net investment income	280,069	601,654
Net realized gains on investments	75,716	70,571
Net unrealized gains (losses) on investments	95,955	(17,557)
Loss on early extinguishment of debt	(1,179)	(115)
Other income	2,201	5,219
Foreign exchange losses	(2,458)	1,351
<b>Total revenues</b>	<b>3,217,235</b>	<b>6,280,866</b>
<b>Expenses</b>		
Losses and loss expenses	2,533,683	3,669,360
Policy acquisition costs	593,308	1,222,821
General and administrative expenses	181,219	383,387
Share compensation expenses	37,327	64,211
Finance expenses	72,074	140,392
<b>Total expenses</b>	<b>3,417,611</b>	<b>5,480,171</b>
<b>Net (loss) income before taxes</b>	<b>(200,376)</b>	<b>800,695</b>
Income tax benefit (expense)	84,133	(52,436)
<b>Net (loss) income</b>	<b>(116,243)</b>	<b>748,259</b>
Net income attributable to noncontrolling interest	(594)	
Net (loss) income (attributable) available to Validus	\$ (116,837)	\$ 748,259
<b>Comprehensive (loss) income</b>		
Foreign currency translation adjustments, net of tax	21,191	119,957
Net unrealized appreciation (depreciation) of investments, net of tax		
Change in retirement plan liability, net of tax	(593)	452
Comprehensive (loss) income	\$ (96,239)	\$ 868,668
<b>Earnings per share</b>		
Weighted average number of common shares and common share equivalents outstanding		
Basic	195,414,898	213,255,252
Diluted	195,414,898	219,172,096
Basic (loss) earnings per share	\$ (0.62)	\$ 3.48
Diluted (loss) earnings per share	\$ (0.62)	\$ 3.41
<b>Selected financial ratios</b>		
Losses and loss expenses ratio	91.6%	65.2%
Policy acquisition cost ratio	21.4%	21.8%
General and administrative expense ratio	7.9%	8.0%
Expense ratio	29.3%	29.8%

Combined ratio

120.9%

95.0%

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The following table sets forth summarized pro forma balance sheet data as of June 30, 2011:

**As of June 30, 2011**  
**(Dollars in thousands, except share**  
**and per share amounts)**

<b>Summary Balance Sheet Data:</b>		
Investments at fair value	\$	18,751,211
Cash and cash equivalents		1,157,594
Total assets		25,001,204
Reserve for losses and loss expenses		13,062,287
Unearned premiums		2,538,951
Senior notes payable and credit facility payable		1,752,713
Debentures Payable		289,800
Total liabilities		18,173,003
Total shareholders' equity		6,828,201
Book value per common share		34.15
Diluted book value per common share		32.44

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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 six months ended June 30, 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 June 30, 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 six months ended June 30, 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 June 30, 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)
<b>(For the year ended December 31, 2010)</b>					
Basic earnings per common share	\$ 3.41	\$ 6.28	\$ 3.48	\$ 5.42	\$ 5.42
Diluted earnings per common share	\$ 3.34	\$ 6.19	\$ 3.41	\$ 5.31	\$ 5.31
Diluted operating earnings per common share <sup>(3)</sup>	\$ 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	\$ 34.97	\$ 54.43 <sup>(4)</sup>	\$ 58.41 <sup>(5)</sup>
Diluted book value per common share (at period end)	\$ 32.98	\$ 66.77	\$ 33.20	\$ 51.67 <sup>(4)</sup>	\$ 55.28 <sup>(5)</sup>



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Per share data for the period ended June 30, 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 six months ended June 30, 2011)					
Basic loss per common share	\$ (0.68)	\$ (1.75)	\$ (0.62)	\$ (0.96)	\$ (0.96)
Diluted loss per common share	\$ (0.68)	\$ (1.75)	\$ (0.62)	\$ (0.96)	\$ (0.96)
Diluted operating earnings per common share <sup>(3)</sup>	\$ (0.85)	\$ (2.31)	\$ (1.19)	\$ (1.85)	\$ (1.85)
Cash dividends declared per common share	\$ 0.50	\$ 0.43	\$ 0.50	\$ 0.78	\$ 0.78
Book value per common share (at period end)	\$ 34.51	\$ 67.76	\$ 34.15	\$ 53.15 <sup>(4)</sup>	\$ 57.12 <sup>(5)</sup>
Diluted book value per common share (at period end)	\$ 31.91	\$ 65.77	\$ 32.44	\$ 50.49 <sup>(4)</sup>	\$ 54.09 <sup>(5)</sup>

- (1) Validus' investments in fixed maturities are classified as trading and carried at fair value, with related net unrealized gains or losses included in earnings. Transatlantic classifies its fixed maturities as either held to maturity or available for sale. Reclassifying these securities as trading would result in these unrealized gains and losses being reported as components of the income statements. As a result, historical Transatlantic and equivalent per Transatlantic Share are not comparable.
- (2) Equivalent per share amounts are calculated by multiplying Validus pro forma per share amounts by an exchange ratio of 1.5564.
- (3) Net operating income (loss), a non-GAAP financial measure, is defined by Validus as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to underlying business.
- (4) For purposes of calculating equivalent per Transatlantic Share values for book value per common share, the equivalent per share amount does not include the \$8.00 per Transatlantic Share cash consideration contemplated to be paid as a special dividend in the Merger Offer and as a portion of the exchange consideration in the Exchange Offer and the Second-Step Merger.
- (5) For purposes of calculating equivalent per Transatlantic Share values for book value per common share, the equivalent per share amount includes the \$8.00 per Transatlantic Share cash consideration contemplated to be paid as a special dividend in the Merger Offer and as a portion of the exchange consideration in the Exchange Offer and the Second-Step Merger.

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**FORWARD-LOOKING STATEMENTS**

This proxy statement may include forward-looking statements, both with respect to Validus and Validus' industry, that reflect Validus' current views with respect to future events and financial performance. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," "may," "would," and similar statements of a future or forward-looking nature are often used to identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond Validus' control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. Validus believes that these factors include, but are not limited to, the following: 1) uncertainty as to whether the conditions of any Proposed Transatlantic Acquisition will be met or whether a Proposed Transatlantic Acquisition will be consummated; 2) uncertainty as to the actual premium that will be realized by Transatlantic stockholders in connection with a Proposed Transatlantic Acquisition; 3) failure to realize the anticipated benefits of the Validus Transaction Proposal, including as a result of delay in completing the transaction or integrating the businesses of Validus and Transatlantic; 4) uncertainty as to the long-term value of Validus Shares; 5) unpredictability and severity of catastrophic events; 6) rating agency actions; 7) adequacy of Validus' or Transatlantic's risk management and loss limitation methods; 8) cyclicity of demand and pricing in the insurance and reinsurance markets; 9) Validus' ability to implement its business strategy during "soft" as well as "hard" markets; 10) adequacy of Validus' or Transatlantic's loss reserves; 11) continued availability of capital and financing; 12) retention of key personnel; 13) competition in the insurance and reinsurance markets; 14) potential loss of business from one or more major reinsurance or insurance brokers; 15) the credit risk Validus and Transatlantic assume through their dealings with insurance and reinsurance brokers; 16) Validus' or Transatlantic's ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to develop accurate actuarial data to support the business and regulatory and reporting requirements; 17) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 18) the integration of businesses Validus may acquire or new business ventures Validus may start; 19) the legal, regulatory and tax regimes under which Validus and Transatlantic operate; 20) the effect on Validus' or Transatlantic's investment portfolios of changing financial market conditions, including inflation, interest rates, liquidity and the recent downgrade of U.S. securities by Standard & Poor's and the possible effect on the value of securities in Validus' and Transatlantic's investment portfolios, as well as other factors; 21) acts of terrorism or outbreak of war or hostilities; 22) availability of reinsurance and retrocessional coverage; and 23) the outcome of transaction related litigation, as well as management's response to any of the aforementioned factors.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the Risk Factors included in the Validus 10-Q, the Validus 10-K, the Transatlantic 10-Q and the Transatlantic 10-K, each as filed with the SEC. Any forward-looking statements made in this proxy statement are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Validus will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Validus or Validus' business, operations or financial condition. Except to the extent required by applicable law, Validus undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

No rating agency (A.M. Best, Moody's, or Standard & Poor's) has specifically approved or disapproved or otherwise taken definitive action on the Proposed Transatlantic Acquisition.

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**RISK FACTORS**

*In addition to the other information included or incorporated by reference in this proxy statement (including the matters addressed under Forward-Looking Statements above), you should carefully consider the following risk factors before deciding whether to vote to approve the Share Issuance Proposal and the Adjournment Proposal. Each proposal is described in this proxy statement under "Proposals to Be Submitted to Validus Shareholders' Vote; Voting Requirements and Recommendations." In addition to the risk factors set forth below, you should read and consider other risk factors specific to each of the Validus and Transatlantic businesses that will also affect Validus after a Proposed Transatlantic Acquisition, described in Part I, Item 1A of the Validus 10-K and this Transatlantic 10-K, and the other documents that have been filed with the SEC and all of which are incorporated by reference into this proxy statement. If any of the risks described below or in the reports incorporated by reference into this proxy statement actually occurs, the respective businesses, financial results, financial conditions, operating results or share prices of Validus or Transatlantic could be materially adversely affected.*

**Risk Factors Relating to a Proposed Transatlantic Acquisition**

***Validus must obtain governmental, regulatory and insurance department approvals to consummate a Proposed Transatlantic Acquisition, which, if delayed or not granted, may jeopardize or delay a Proposed Transatlantic Acquisition, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the combination contemplated by the Proposed Transatlantic Acquisition.***

The consummation of any Proposed Transatlantic Acquisition is conditioned on the receipt of all governmental and regulatory authorizations, consents, orders and approvals determined to be necessary or advisable by Validus, including without limitation, approval from the New York State Department of Insurance and the expiration or termination of the applicable waiting period under the Hart Scott Rodino Act of 1976, as amended (the "HSR Act"). If Validus does not receive these approvals, then Validus will not be obligated to complete a Proposed Transatlantic Acquisition.

The governmental and regulatory agencies from which Validus will seek these approvals have broad discretion in administering the applicable governing regulations. As a condition to their approval of a Proposed Transatlantic Acquisition, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of a Proposed Transatlantic Acquisition or may reduce the anticipated benefits of a transaction contemplated by a Proposed Transatlantic Acquisition. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to a Proposed Transatlantic Acquisition will be satisfied, and, if all required consents and approvals are obtained and the conditions to the consummation of a Proposed Transatlantic Acquisition are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. If Validus agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any consents or approvals required to consummate a Proposed Transatlantic Acquisition, these requirements, limitations, additional costs or restrictions could adversely affect Validus' ability to integrate the operations of Validus and Transatlantic or reduce the anticipated benefits of the combination contemplated by a Proposed Transatlantic Acquisition. This could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus Shares after the acquisition. In addition, a third party could attempt to intervene in any governmental or regulatory filings to be made by Validus or otherwise object to the granting to Validus of any such governmental or regulatory authorizations, consents, orders or approvals, which may cause a delay in obtaining, or the imposition of material requirements, limitations, costs, divestitures or restrictions on, or the failure to obtain, any such authorizations, consents, orders or approvals. Please see the information in the section titled "Regulatory Approvals" for a description of the regulatory approvals necessary in connection with a Proposed Transatlantic Acquisition.

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***The Proposed Transatlantic Acquisition remains subject to other conditions that Validus cannot control.***

The Merger Offer and the Exchange Offer are subject to the conditions set forth in Annex A and Annex B attached hereto, respectively, and any other Proposed Transatlantic Acquisition would be subject to similar conditions. There are no assurances that all of the conditions to the Merger Offer or the Exchange Offer will be satisfied. In addition, the Transatlantic Board may seek to take actions that will delay, or frustrate, the satisfaction of one or more conditions.

***Validus may waive one or more of the conditions to a Proposed Transatlantic Acquisition without resoliciting or seeking additional shareholder approval for the Share Issuance.***

Each of the conditions to Validus' obligations to complete a Proposed Transatlantic Acquisition, may be waived, in whole or in part by Validus. The board of directors of Validus will evaluate the materiality of any such waiver to determine whether resolicitation of proxies is necessary or, if shareholder approval of the Share Issuance has been received, whether further shareholder approval is necessary. In the event that any such waiver is not determined to be significant enough to require resolicitation or additional approval of shareholders, a Proposed Transatlantic Acquisition may be consummated without seeking further shareholder approval of the Share Issuance.

***If a Proposed Transatlantic Acquisition is consummated through the Exchange Offer, full integration of Transatlantic's operations with Validus may be delayed if Validus does not hold at least 90% of the outstanding Transatlantic Shares following consummation of the Exchange Offer.***

The Exchange Offer is subject to a minimum tender condition, which provides that, prior to the expiration time of the Exchange Offer, Transatlantic stockholders shall have validly tendered and not withdrawn at least that number of Transatlantic Shares that, when added to the Transatlantic Shares then owned by Validus or any of its subsidiaries, shall constitute a majority of the then-outstanding number of Transatlantic Shares on a fully-diluted basis. If Validus accepts Transatlantic Shares for exchange and owns 90% or more of the outstanding Transatlantic Shares after the Exchange Offer is completed, the Second-Step Merger can be effected as a "short form" merger under Delaware law without the consent of any stockholder (other than Validus) and without the approval of the Transatlantic Board. If Validus does not acquire at least 90% of the outstanding Transatlantic Shares in the Exchange Offer or otherwise, then both Transatlantic Board approval and Transatlantic stockholder approval will be required to effect the Second-Step Merger. While the requirements of a Transatlantic stockholder and Transatlantic Board approval would not prevent the Second-Step Merger from occurring, because Validus would hold sufficient Transatlantic Shares to approve the Second-Step Merger and remove the Transatlantic Board, it could delay the consummation of the Second-Step Merger and could delay the realization of some or all of the anticipated benefits from integrating Transatlantic's operations with Validus, including, among others, achieving some or all of the synergies associated with the acquisition of Transatlantic by Validus.

***The consummation of any Proposed Transatlantic Acquisition will be conditioned on termination of the Allied World Acquisition Agreement, which could under certain circumstances result in the payment of a termination fee to Allied World.***

If the Transatlantic stockholders vote against the Proposed Allied World Acquisition, Transatlantic may be bound to pay up to a maximum of \$115 million in the aggregate in termination fees and reimbursement of permitted Allied World expenses thereunder (the "Allied World Termination Fee"), including in the circumstance where Transatlantic subsequently agrees to enter into an agreement with a third party in respect of another business combination.

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**Risk Factors Relating to Validus Following the Consummation of a Proposed Transatlantic Acquisition.**

*Validus may experience difficulties integrating Transatlantic's businesses, which could cause Validus to fail to realize the anticipated benefits of the acquisition.*

If Validus' acquisition of Transatlantic is consummated, achieving the anticipated benefits of the acquisition will depend in part upon whether the two companies integrate their businesses in an effective and efficient manner. The companies may not be able to accomplish this integration process smoothly or successfully. The integration of certain operations following the acquisition of Transatlantic will take time and will require the dedication of significant management resources, which may temporarily distract management's attention from the routine business of the combined entity.

Any delay or inability of management to successfully integrate the operations of the two companies could compromise the combined entity's potential to achieve the anticipated long-term strategic benefits of the acquisition and could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus Shares after the acquisition.

*Validus has only conducted a review of Transatlantic's publicly available information and has not had access to Transatlantic's non-public information. Therefore, Validus may be subject to unknown liabilities of Transatlantic which may have a material adverse effect on Validus' profitability, financial condition and results of operations.*

To date, Validus has only conducted a due diligence review of Transatlantic's publicly available information. The consummation of a Proposed Transatlantic Acquisition may constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, or result in the acceleration or other change of any right or obligation (including, without limitation, any payment obligation) under agreements of Transatlantic that are not publicly available. As a result, after the consummation of a Proposed Transatlantic Acquisition, Validus may be subject to unknown liabilities of Transatlantic, which may have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus Shares after the acquisition.

In addition, a Proposed Transatlantic Acquisition may also permit a counter-party to an agreement with Transatlantic to terminate that agreement because completion of a Proposed Transatlantic Acquisition would cause a default or violate an anti-assignment, change of control or similar clause. If this happens, Validus may have to seek to replace that agreement with a new agreement. Validus cannot assure you that it will be able to replace a terminated agreement on comparable terms or at all. Depending on the importance of a terminated agreement to Transatlantic's business, failure to replace that agreement on similar terms or at all may increase the costs to Validus of operating Transatlantic's business or prevent Validus from operating part or all of Transatlantic's business.

In respect of all information relating to Transatlantic presented in, incorporated by reference into or omitted from, this proxy statement, Validus has relied upon publicly available information, including information publicly filed by Transatlantic with the SEC. Although Validus has no knowledge that would indicate that any statements contained herein regarding Transatlantic's condition, including its financial or operating condition (based upon such publicly filed reports and documents) are inaccurate, incomplete or untrue, Validus was not involved in the preparation of such information and statements. For example, Validus has made adjustments and assumptions in preparing the pro forma financial information presented in this proxy statement that have necessarily involved Validus' estimates with respect to Transatlantic's financial information. Any financial, operating or other information regarding Transatlantic that may be detrimental to Validus following Validus' acquisition of Transatlantic that has not been publicly disclosed by Transatlantic, or errors in Validus' estimates due to the lack of cooperation from Transatlantic, may have a material adverse effect on the business, financial condition

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and results of operations of the combined company and the market value of Validus Shares after the acquisition.

***The acquisition of Transatlantic may result in one or more ratings organizations taking actions which may adversely affect the combined companies' business, financial condition and operating results, as well as the market price of Validus Shares.***

Ratings with respect to claims paying ability and financial strength are important factors in maintaining customer confidence in Validus and its ability to market insurance and reinsurance products and compete with other insurance and reinsurance companies. Rating organizations regularly analyze the financial performance and condition of insurers and reinsurers and will likely reevaluate the ratings of Validus and its reinsurance subsidiaries following the consummation of the Proposed Transatlantic Acquisition. Although none of Standard & Poor's, A.M. Best or Moody's took any formal action with respect to modifying Validus' ratings or Transatlantic's ratings following the announcement of the Merger Offer or the Exchange Offer, following the closing of a Proposed Transatlantic Acquisition, any ratings downgrades, or the potential for ratings downgrades, of Validus or its subsidiaries (including the newly acquired Transatlantic operating companies) could adversely affect Validus' ability to market and distribute products and services and successfully compete in the marketplace, which could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus Shares after the acquisition.

***The occurrence of severe catastrophic events after the completion of a Proposed Transatlantic Acquisition could cause Validus' financial results to be more volatile and may affect the financial results of Validus differently than if a Proposed Transatlantic Acquisition did not take place.***

Because following a Proposed Transatlantic Acquisition Validus will, among other items, underwrite a large concentration of property catastrophe insurance and reinsurance and have large aggregate exposures to natural and man-made disasters, Validus expects that its 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 Validus' financial results following the consummation of the acquisition of Transatlantic. In addition, because catastrophes will continue to be an inherent risk of Validus' business following the consummation of the acquisition of Transatlantic, a major event or series of events can be expected to occur from time to time and to have a material adverse effect on the business, financial condition and results of operations of Validus and the market value of Validus Shares after the acquisition.

***Future results of the combined company may differ materially from the Unaudited Condensed Consolidated Pro Forma Financial Information of Validus and Transatlantic presented in this proxy statement.***

The future results of Validus following the consummation of a Proposed Transatlantic Acquisition may be materially different from those shown in the Unaudited Condensed Consolidated Pro Forma Financial Information presented in this proxy statement, which show only a combination of Validus' and Transatlantic's historical results after giving effect to a Proposed Transatlantic Acquisition. Validus has estimated that it will record approximately \$59.41 million in transaction expenses (inclusive of refinancing costs and Transatlantic transaction costs), as described in the notes to the Unaudited Condensed Consolidated Pro Forma Financial Information included in this proxy statement. In addition, the final amount of any charges relating to acquisition accounting adjustments that Validus may be required to record will not be known until following the consummation of a Proposed Transatlantic Acquisition. These and other expenses and charges may be higher or lower than estimated.

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***The recent downgrade in the U.S. credit rating could materially adversely affect the business, financial condition and results of operations of Validus and Transatlantic and have an adverse effect on the exchange offer.***

On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+. The current U.S. debt ceiling and budget deficit concerns have increased the possibility of other credit-rating downgrades and an economic slowdown. The impact of the downgrade is inherently unpredictable and could have a material adverse effect on the financial markets and economic conditions in the United States and throughout the world. In turn this could have a material adverse effect on the business, financial condition and results of operations of Validus and Transatlantic, including with respect to assets in their investment portfolios, as well as assets in trusts or other collateral arrangements posted by or to them. A decrease in the market value of investments held by Validus and Transatlantic could adversely affect the capital adequacy of such companies, which could require them to raise additional capital during a period of distress in financial markets, potentially at a higher cost. Additionally, rating agencies could impose higher capital requirements for Validus and Transatlantic to maintain their existing credit and financial strength ratings. Domestic and international equity markets have also recently experienced heightened volatility and turmoil, which may have an adverse effect on the market price of Validus common shares at the date the exchange offer is consummated. No prediction can be made as to the extent, severity and duration of the impact of the U.S. downgrade, a possible economic slowdown or of other recent events on the business, results of operations and financial condition of Validus and Transatlantic or on the exchange offer.

**Risk Factors Relating to Transatlantic's Businesses**

You should read and consider risk factors specific to Transatlantic's businesses that will also affect Validus after the acquisition contemplated by this proxy statement, described in Part I, Item 1A of the Transatlantic 10-K and other documents that have been filed by Transatlantic with the SEC and which are incorporated by reference into this proxy statement.

**Risk Factors Relating to Validus' Businesses**

You should read and consider risk factors specific to Validus' businesses that will also affect Validus after the acquisition contemplated by this proxy statement, described in Part I, Item 1A of the Validus 10-K and other documents that have been filed by Validus with the SEC and which are incorporated by reference into this proxy statement.

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**THE PROPOSED TRANSATLANTIC ACQUISITION**

**The Merger Offer**

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 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.

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'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 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. Subsequently, representatives of Validus and Transatlantic met to discuss the form of confidentiality agreement but could not come to an agreement regarding the removal of the standstill provisions proposed by Transatlantic. 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.

Validus has provided to the Transatlantic Board with a draft Proposed Merger Agreement that Validus contemplates would be executed by Validus and Transatlantic in connection with the Merger Offer. A summary of certain terms and conditions of the Proposed Merger Agreement is attached as Annex A hereto.

**The Exchange Offer**

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 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, to 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 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 of the Validus S-4. A summary of certain terms and conditions of the Exchange Offer is attached as Annex B hereto.



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**Other Potential Transactions**

**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.**

**Background of the Proposed Transatlantic Acquisition**

Since Validus' formation in 2005, Validus has explored all available avenues for profitable growth, including evaluating opportunities for strategic acquisitions which fit Validus' criteria. In connection with such strategic evaluation, Validus has in the past had preliminary discussions with Transatlantic regarding a potential business combination transaction.

On June 3, 2011, Edward J. Noonan, the Chief Executive Officer and Chairman of the Board of Directors of Validus, spoke by telephone with Robert F. Orlich, President, Chief Executive Officer and a Director of Transatlantic. Mr. Noonan discussed with Mr. Orlich a potential business combination transaction between Validus and Transatlantic.

On June 7, 2011, Validus delivered a letter to Transatlantic reiterating its interest in exploring a business combination transaction with Transatlantic.

On June 12, 2011, Transatlantic and Allied World announced that they had entered into the Allied World Acquisition Agreement.

On July 7, 2011, Allied World filed the Allied World/Transatlantic S-4 with the SEC. The Allied World/Transatlantic S-4 purports to provide a summary of the events leading to Allied World and Transatlantic entering into the Allied World Acquisition Agreement.

In the afternoon of July 12, 2011, Mr. Noonan placed a telephone call to Mr. Orlich. Mr. Noonan spoke with Mr. Orlich and explained that Validus would be making a proposal to acquire Transatlantic in a merger pursuant to which 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. Mr. Noonan also noted that while Validus preferred to work cooperatively with Transatlantic to complete a consensual transaction, it was also prepared to take the Validus Transaction Proposal directly to Transatlantic stockholders if necessary.

Following this telephone call, in the evening of July 12, 2011, Validus delivered a proposal letter containing the Merger Offer to the Transatlantic Board in care of Richard S. Press, Chairman of the Transatlantic Board, and Mr. Orlich and issued a press release announcing the Validus Merger Offer.

On the morning of July 13, 2011, Transatlantic issued a press release acknowledging receipt of the letter from Validus containing the Merger Offer and a separate press release announcing a record date for the Transatlantic special meeting of stockholders relating to the Proposed Allied World Acquisition as of the close of business on July 22, 2011.

Also on the morning of July 13, 2011, Allied World issued a press release announcing the record date for its extraordinary general meeting of its shareholders relating to the Proposed Allied World Acquisition as of the close of business on July 22, 2011.

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On the afternoon of July 17, 2011, Validus delivered supplemental materials relating to the superior economics and other benefits of the Merger Offer to the Transatlantic Board and, in the evening of July 17, 2011, Validus issued a press release relating to the supplemental materials.

On July 18, 2011, Validus filed a Notification and Report Form with the federal antitrust authorities under the Hart-Scott-Rodino Act of 1976, as amended, relating to a Proposed Transatlantic Acquisition. On August 17, 2011 at 11:59 p.m. Eastern time, the applicable waiting period under the HSR Act for the acquisition by Validus of Transatlantic Shares pursuant to a Proposed Transatlantic Acquisition expired.

On July 19, 2011, Transatlantic issued a press release announcing that the Transatlantic Board determined that the Merger Offer does not constitute a "superior proposal" under the terms of the Allied World Acquisition Agreement and reaffirmed its support of the Proposed Allied World Acquisition. However, Transatlantic also announced that the Transatlantic Board had determined that the Merger Offer is reasonably likely to lead to a "superior proposal" and that the failure to enter into discussions with Validus regarding the Merger Offer would result in a breach of the Transatlantic Board's fiduciary duties under applicable law.

On July 20, 2011, Validus filed a preliminary proxy statement with the SEC with respect to soliciting votes against adoption of the Allied World Acquisition Agreement at the Transatlantic special stockholder meeting and issued a press release responding to the Transatlantic Board's response to the Merger Offer.

On the morning of July 23, 2011, following the expiration of a three business days' notice period under the Allied World Acquisition Agreement, Transatlantic delivered a form of confidentiality agreement for Validus' execution as a precondition to the commencement of discussions and exchange of confidential information. The form of confidentiality agreement included standstill provisions that would have prevented Validus from making the Exchange Offer directly to Transatlantic stockholders.

On the evening of July 23, 2011, in-house and outside counsel from Transatlantic (Gibson, Dunn & Crutcher LLP) and Validus (Skadden, Arps, Slate, Meagher & Flom LLP) spoke via telephone to discuss the form of confidentiality agreement delivered by Transatlantic earlier that day. On this call, Transatlantic and Validus were unable to come to agreement regarding the removal of the restrictive standstill provisions. Later that evening, Validus delivered a form of confidentiality agreement to Transatlantic that it would be prepared to execute.

On the morning of July 25, 2011, Validus sent a letter to the Transatlantic Board regarding Transatlantic's refusal to enter into a confidentiality agreement that would not foreclose Validus from pursuing its proposal for Transatlantic and informed the Transatlantic Board that Validus was commencing the Exchange Offer that morning.

On July 25, 2011, Validus commenced the Exchange Offer and issued a press release announcing the commencement of the Exchange Offer and repeating the text of the letter that it sent to the Transatlantic Board earlier that morning.

Also on July 25, 2011, Validus filed a prospectus/offer to exchange on Form S-4 with the SEC with respect to the Exchange Offer.

On the morning of July 28, 2011, Transatlantic filed a Schedule 14D-9 announcing, among other things, that the Transatlantic Board reaffirmed its support of the Proposed Allied World Acquisition and recommended that Transatlantic stockholders reject the Exchange Offer and not tender their Transatlantic Shares pursuant to the Exchange Offer.

Also on the morning of July 28, 2011, Transatlantic filed a Form 8-K with the SEC announcing that it had adopted a stockholder rights plan, which has a term of one year and a 10% beneficial ownership threshold.

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Additionally, on the morning of July 28, 2011, Transatlantic announced that it had filed a complaint against Validus in the United States District Court for the District of Delaware, alleging that Validus violated the securities laws by making false and misleading statements to Transatlantic stockholders in connection with the Exchange Offer and its opposition to the Proposed Allied World Acquisition. Validus believes that this action is meritless. On August 10, 2011, Validus moved to dismiss this complaint for failure to state a claim.

On the afternoon of July 28, 2011, Validus issued a press release reiterating that the Exchange Offer is superior to the Proposed Allied World Acquisition and challenging misleading statements that had been made by Transatlantic earlier that day.

On August 1, 2011, Validus filed with the SEC Amendment No. 1 to its preliminary proxy statement regarding soliciting votes against adoption of the Allied World Acquisition Agreement at the Transatlantic special stockholder meeting.

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

On August 3, 2011, Validus filed Amendment No. 1 to its prospectus/offer to exchange on Form S-4 with the SEC with respect to the Exchange Offer.

Also on August 3, 2011, Validus filed this preliminary proxy statement with the SEC with respect to soliciting votes to approve the Share Issuance Proposal and the Adjournment Proposal.

On August 4, 2011, at Transatlantic's request, Mr. Noonan and Joseph E. (Jeff) Consolino, Validus' President and Chief Financial Officer, met with Mr. Orlich and Michael Sapnar, Transatlantic's Executive Vice President and Chief Operating Officer, to discuss the potential terms of a confidentiality agreement between Validus and Transatlantic.

On August 5, 2011, at Validus' request, representatives of Skadden, Arps and Gibson Dunn met to discuss the potential terms of a confidentiality agreement between Validus and Transatlantic.

On August 7, 2011, Transatlantic announced that it had received on August 5, 2011 a proposal from National Indemnity Company to acquire all of the outstanding shares of Transatlantic common stock for \$52.00 per share.

On August 8, 2011, Transatlantic announced that the proposal from National Indemnity Company does not constitute a "superior proposal" under the terms of the Allied World acquisition agreement, but is reasonably likely to lead to a "superior proposal," and that the failure to enter into discussions regarding the proposal from National Indemnity Company would result in a breach of the Transatlantic Board's fiduciary duties under applicable law.

On August 10, 2011, Validus filed a complaint in the Court of Chancery of the State of Delaware against Transatlantic, the members of the Transatlantic Board, and Allied World. The complaint alleges that Transatlantic directors have breached and are breaching their fiduciary duties by refusing to recommend against the proposed Allied World acquisition, refusing to engage Validus in discussions about the Validus offer, and making false and misleading statements and omissions in connection with seeking stockholder approval of the Allied World acquisition. The complaint also alleges that Allied World has aided and abetted these breaches of fiduciary duty. On August 16, 2011, Validus filed a motion seeking (i) a preliminary injunction seeking a declaratory judgment regarding Transatlantic's interpretation of Section 5.5(e) of the Allied World Acquisition Agreement and whether the Transatlantic Board has breached its fiduciary duties by refusing to enter into discussions and exchange information with Validus and (ii) expedited discovery in connection with the preliminary injunction hearing.

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Also on August 10, 2011, Validus sent a letter to the Transatlantic Board regarding the above referenced Delaware Chancery Court complaint and notifying the Transatlantic board of directors that Validus' outside legal counsel, Skadden, Arps, would be delivering to Transatlantic's outside legal counsel, Gibson Dunn, an executed one-way confidentiality agreement that would permit Transatlantic to receive and review non-public information regarding Validus, and which would not contain a standstill or prevent Transatlantic from disclosing such information as it may be legally required.

Additionally, on August 10, 2011, Skadden, Arps delivered to Gibson Dunn the above referenced executed one-way confidentiality agreement.

On August 12, 2011, Validus filed with the SEC Amendment No. 2 to its prospectus/offer to exchange on Form S-4 with respect to the Exchange Offer.

Also on August 12, 2011, Validus filed with the SEC an amendment to its preliminary proxy statement with respect to soliciting votes against adoption of the Allied World Acquisition Agreement at the Transatlantic special stockholder meeting.

On August 19, 2011, Validus filed with the SEC an amendment to its Registration Statement on Form S-4 with respect to the Exchange Offer.

On August 19, 2011, Validus filed with the SEC this amendment to its preliminary proxy statement with the SEC with respect to soliciting votes to approve the Share Issuance Proposal and the Adjournment Proposal.

**Recommendation of the Validus Board of Directors**

**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 in Connection with a Proposed Transatlantic Acquisition**

By approving the Share Issuance, you will be enabling Validus to issue the Validus Shares necessary to effect a Proposed Transatlantic Acquisition. Validus' board of directors believes that the 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. In reaching these conclusions and in recommending the approval of the Share Issuance, Validus' board of directors consulted with Validus management as well as legal and financial advisors and considered a number of factors. The factors included, but were not limited to, the following:

the complementary business fit of Validus and Transatlantic, including Validus' presence in Bermuda and London and Transatlantic's presence in the United States, Continental Europe and Asia;

the stronger competitive position of the combined company relative to Validus' peer group, including that the combined company would create a geographically diversified company with a top-six reinsurance industry position on a pro forma basis (based on property catastrophe gross premiums written for Validus and net premiums written for Transatlantic in 2010);

Validus' board of directors' belief that the combined company would have significant capital availability that could be actively managed to the benefit of Validus' shareholders, including that the combination of Validus and Transatlantic would create a company with an estimated

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\$1.1 billion of pre-synergy, pre-catastrophe earnings,<sup>(1)</sup> which could be available for expanded share repurchase activity;

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(1) Based upon combined last twelve months pre-catastrophe accident year earnings as of March 31, 2011.

the opportunity to reduce costs associated with running two separate public companies, including Transatlantic's NYSE listing fees, transfer agent fees, legal and accounting fees related to SEC filings and stockholder mailings, printing and mailing expenses for periodic reports and proxy statements, annual meeting expenses and other investor relations related expenses, which expenses Validus believes are duplicative and can be eliminated if Validus and Transatlantic combine resulting in these expenses for the combined company representing a smaller portion of combined revenues;

the potential for significant future tax synergies, including (i) the restructuring of the combined company's legal organization, including restructuring Transatlantic's non-U.S. subsidiaries and (ii) the maximization of after-tax returns on the combined company's investment portfolio;

the fact that Validus will experience modest accretion to its book value and tangible book value per share as a result of the transaction;

the ongoing representation by all of Validus' existing directors on Validus' board of directors after the Proposed Transatlantic Acquisition, and the fact that Validus' senior management will continue to manage Validus; and

Validus' board of directors' belief, based on advice from legal counsel, that a Proposed Transatlantic Acquisition is likely to receive necessary regulatory approvals in a relatively timely manner without material adverse conditions.

Validus' board of directors considered other factors in making its determination and recommendation, including the following:

the possibility that Transatlantic would have to pay a termination fee of up to \$115 million in connection with the consummation of a Proposed Transatlantic Acquisition;

the fact that Validus will be subject to certain restrictions on the conduct of its business and its ability to pursue transactions other than a Proposed Transatlantic Acquisition in the event that it enters into the Proposed Merger Agreement in connection with the Merger Offer;

the fact that, in order to reach a consensual transaction with Transatlantic, Validus' board of directors determined that the Proposed Merger Agreement would need to be substantially similar to the Allied World Acquisition Agreement;

the inability to control Transatlantic's conduct of business before consummation of a Proposed Transatlantic Acquisition, subject to certain restrictions on the conduct of Transatlantic's business that would be applicable in connection with the Merger Offer;

the fact the payment to Transatlantic stockholders of the cash consideration contemplated by the Exchange Offer is not subject to a financing condition;

that Validus shareholders and Transatlantic stockholders may not react favorably to the acquisition of Transatlantic, and the execution risk and additional costs that would be required to complete the acquisition of Transatlantic as a result of any legal

actions and dissenters' rights actions brought by Transatlantic stockholders;

the effect of the announcement of Validus' intent to acquire Transatlantic on Validus' share price if Validus shareholders do not view such acquisition positively or if the acquisition of Transatlantic is not completed;

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the potential disruption to Validus' business that could result from the announcement and pursuit of a Proposed Transatlantic Acquisition, including the diversion of management and employee attention;

the possibility that Transatlantic would not find the Merger Offer to be a "Superior Proposal" under the Allied World Acquisition Agreement, which would entail additional costs in order to enable Transatlantic stockholders to consider a Proposed Transatlantic Acquisition in the form of the Exchange Offer;

the possibility that the acquisition of Transatlantic might not be completed due to difficulties with terminating the Allied World Acquisition Agreement, obtaining sufficient shareholder and stockholder approval, the occurrence of a material adverse effect on either company's business, or the inability to obtain required regulatory approvals;

the risk that A.M. Best, Standard & Poor's or Moody's might lower the ratings of Validus or any of its subsidiaries following a Proposed Transatlantic Acquisition;

the possibility that after consummation of the acquisition of Transatlantic Validus might find a material adverse fact or circumstance affecting Transatlantic that was not disclosed by Transatlantic in its publicly available financial and other information, which could have a material adverse effect on Validus;

the fact that Validus does not expect material employee-based cost savings to result from the acquisition of Transatlantic; and

the risks described in this proxy statement under the section titled "Risk Factors."

The foregoing discussion of the information and factors considered by Validus' board of directors is not intended to be exhaustive, but is believed to include the material factors considered by Validus' board of directors. In view of the variety of factors considered in connection with its evaluation of the Share Issuance and the other transactions contemplated by the acquisition of Transatlantic, Validus' board of directors did not find it practicable to, and did not, quantify or otherwise assign specific weights to the factors considered in reaching its determination and recommendation. In addition, each of the members of Validus' board of directors may have given differing weights to different factors. Validus' board of directors believed that the positive factors discussed above outweighed the negative factors discussed above, especially after giving weight to the likelihood of occurrence.

**Interests of Validus Directors and Executive Officers in a Proposed Transatlantic Acquisition**

The consummation of a Proposed Transatlantic Acquisition will not be deemed to be a change in control impacting grants under any of Validus' long-term incentive or stock option plans, or a change in control under any employment agreement between Validus and any of its employees. As a result, no options or other equity grants held by such persons will vest as a result of a Proposed Transatlantic Acquisition.

**Anticipated Accounting Treatment**

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

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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.

**Sources of Funds, Fees and Expenses**

*General*

Whether a Proposed Transatlantic Acquisition is consummated pursuant to the Merger Offer, the Exchange Offer and the Second-Step Merger, or otherwise, the aggregate acquisition consideration to be paid to Transatlantic stockholders will include the Validus Shares to be issued pursuant to the Share Issuance. In addition, Transatlantic stockholders will receive cash in lieu of any fractional Validus Shares to which they may be entitled.

*Sources and Use of Cash*

If a Proposed Transatlantic Acquisition is consummated pursuant to the Exchange Offer and the Second-Step Merger, Validus estimates that the aggregate consideration to be paid to Transatlantic will consist of approximately \$500 million in cash (less applicable withholding taxes and without interest) and that number of Validus Shares determined in accordance with the exchange ratio. In addition, Transatlantic stockholders will receive cash in lieu of any fractional Validus Shares to which they may be entitled.

Validus has obtained commitments from J.P. Morgan Securities LLC ("J.P. Morgan"), as lead arranger, and JPMorgan Chase Bank, N.A. to provide, subject to certain conditions, senior bank financing consisting of up to \$200 million under a proposed new unsecured credit facility (the "Bridge Facility") for financing a portion of the cash component of the consideration to be paid to Transatlantic stockholders in connection with the Exchange Offer. Validus plans to fund the remaining cash component of the consideration to be paid to Transatlantic stockholders in connection with the Exchange Offer through the borrowing of up to \$300 million under its existing \$340 million Three-Year Unsecured Letter of Credit Facility Agreement, dated as of March 12, 2010, among Validus, Validus Re, the subsidiary account parties from time to time party thereto, the lenders from time to time party thereto, Deutsche Bank Securities Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent.

Validus has obtained amendments to its applicable credit facilities, satisfying a condition to the Exchange Offer.

If the Proposed Transatlantic Acquisition is consummated pursuant to the Merger Offer, the cash provided to Transatlantic stockholders would be distributed pursuant to a one-time special dividend from Transatlantic immediately prior to closing of the merger. Validus expects that the pre-closing special dividend would be financed entirely by new indebtedness incurred by Transatlantic. Validus has received a highly confident letter from J.P. Morgan in connection with the arrangement of the full amount of financing required for the Transatlantic pre-merger special dividend.

In addition to the amounts payable in respect of the Exchange Offer and the Second-Step Merger described above, Validus estimates that an additional amount of cash equal to approximately \$147,375,000 will be required to complete a Proposed Transatlantic Acquisition, which estimated total amount includes:

the payment of the Allied World Termination Fee;



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any cash that may be required to be paid in respect of dissenter's rights; and

payment of any fees, expenses and other related amounts incurred in connection with a Proposed Transatlantic Acquisition.

The estimated amount of cash required is based on Validus' due diligence review of Transatlantic's publicly available information to date and is subject to change. For a further discussion of the risks relating to Validus' limited due diligence review, see the section of this proxy statement titled "Risk Factors."

*Fees and Expenses*

Validus has engaged Greenhill & Co., LLC ("Greenhill") as a financial advisor with respect to the acquisition of Transatlantic. In connection with Greenhill's services as a financial advisor to Validus in connection with the acquisition of Transatlantic, Validus has agreed to pay Greenhill an aggregate fee of \$20.0 million, \$4.25 million of which has already been paid and \$15.75 million (less the fee for Greenhill's service as dealer manager in connection with the exchange offer described below) of which is contingent upon the consummation of a transaction with Transatlantic or entry into a definitive agreement that subsequently results in a transaction with Transatlantic. In addition, Validus will reimburse Greenhill for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify Greenhill and its affiliates in connection with Greenhill's service as a financial advisor against certain liabilities in connection with their engagement.

Validus has also engaged Greenhill to act as dealer manager in connection with the Exchange Offer. Greenhill may contact beneficial owners of Transatlantic Shares in its capacity as dealer manager regarding the Exchange Offer and may request brokers, dealers, commercial banks, trust companies and other nominees to forward the prospectus/offer to exchange and related materials filed by Validus with the SEC on July 25, 2011 to beneficial owners of Transatlantic Shares. Validus has agreed to pay Greenhill a fee of \$50,000 for its service as dealer manager in connection with the Exchange Offer (with such amount offset against the contingent portion of the fee payable to Greenhill in its capacity as a financial advisor to Validus as described above). In addition, Validus will reimburse Greenhill for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify Greenhill and its affiliates in connection with Greenhill's service as dealer manager against certain liabilities in connection with their engagement.

Validus has also engaged J.P. Morgan, as a financial advisor with respect to the transaction. In connection with J.P. Morgan's services as a financial advisor to Validus in connection with the transaction, Validus agreed to pay J.P. Morgan an aggregate fee of \$4.0 million, \$1.0 million of which has already been paid and \$3.0 million of which is contingent upon the consummation of a transaction with Transatlantic or entry into a definitive agreement that subsequently results in a transaction with Transatlantic. In addition, Validus will reimburse J.P. Morgan for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify J.P. Morgan and its affiliates in connection with J.P. Morgan's service as financial advisor against certain liabilities in connection with their engagement.

Additionally, Validus has engaged J.P. Morgan to provide financing for the Exchange Offer and Validus has agreed to pay J.P. Morgan customary fees in respect thereof. As part of this engagement, Validus has agreed that J.P. Morgan will have the right to act as, among other roles, lead manager and lead left bookrunner in connection with any public or Rule 144A offering, exclusive placement agent in connection with an private placement and lead left book runner in connection with any credit facility, in each case, in connection with the refinancing in full of the Bridge Facility occurring at any time prior to July 12, 2013.

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Validus has retained Innisfree M&A Incorporated ("Innisfree") as information agent in connection with the Exchange Offer. The information agent may contact holders of Transatlantic Shares by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers, commercial banks, trust companies and other nominees to forward material relating to the Exchange Offer to beneficial owners of Transatlantic Shares. Validus will pay the information agent reasonable and customary compensation for these services in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Validus agreed to indemnify the information agent against certain liabilities and expenses in connection with the Exchange Offer.

Validus has also retained Innisfree for solicitation and advisory services in connection with the solicitation of Validus shareholders in connection with this proxy statement and Transatlantic stockholder in connection with the other proxy solicitations described in this proxy statement, for which Innisfree will receive a customary fee. Validus has also agreed to reimburse Innisfree for out-of-pocket expenses and to indemnify Innisfree against certain liabilities and expenses, including reasonable legal fees and related charges.

In addition, Validus has retained BNY Mellon Shareowner Services as the exchange agent in connection with the Exchange Offer. Validus will pay the exchange agent reasonable and customary compensation for its services in connection with the Exchange Offer, will reimburse the exchange agent for its reasonable out-of-pocket expenses and will indemnify the exchange agent against certain liabilities and expenses.

Except as set forth above, Validus will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of shares pursuant to the Proposed Transatlantic Acquisition. Validus will reimburse brokers, dealers, commercial banks and trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding offering materials to their customers.

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**REGULATORY MATTERS**

**Antitrust**

Under the HSR Act, and the rules that have been promulgated thereunder, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the U.S. Department of Justice (the "Antitrust Division") and the Federal Trade Commission (the "FTC") and certain waiting period requirements have been satisfied. The Proposed Transatlantic Acquisition is subject to such requirements.

Pursuant to the requirements of the HSR Act, Validus filed a Notification and Report Form and requested early termination of the HSR Act waiting period with respect to the Proposed Transatlantic Acquisition with the Antitrust Division and the FTC on July 18, 2011. On August 17, 2011 at 11:59 p.m. Eastern time, the applicable waiting period under the HSR Act for the acquisition by Validus of Transatlantic Shares pursuant to a Proposed Transatlantic Acquisition expired and the related condition to the Exchange Offer was satisfied.

**U.S. Insurance Regulatory**

The insurance laws and regulations of all 50 U.S. states and the District of Columbia generally require that, prior to the acquisition of an insurance company, either through the acquisition of or merger with the insurance company or a holding company of that insurance company, the acquiring company must obtain approval from the insurance commissioner of the insurance company's state of domicile or, in certain jurisdictions, where such insurance company is commercially domiciled. Transatlantic owns Transatlantic Reinsurance Company and Putnam Reinsurance Company, each of which are insurance companies domiciled in New York. Accordingly, before it can acquire indirect control of each of Transatlantic Reinsurance Company and Putnam Reinsurance Company through its acquisition of Transatlantic, Validus will be required to obtain approval for acquisition of control under Section 1506 of the New York Insurance Code. Validus does not believe based on publicly available information that Transatlantic Reinsurance Company or Putnam Reinsurance Company is commercially domiciled in any U.S. State.

**Other Regulatory Approvals**

The consummation of any Proposed Transatlantic Acquisition will also be subject to review by antitrust, insurance and other authorities in jurisdictions outside the U.S. Validus has filed and is in the process of filing as soon as practicable all applications and notifications determined by Validus to be necessary or advisable under the laws of the respective jurisdictions for the consummation of a Proposed Transatlantic Acquisition.

No assurance can be given that the required consents and approvals of the applicable governmental authorities to complete an acquisition of Transatlantic will be obtained, and, if all required consents and approvals are obtained, no assurance can be given as to the terms, conditions and timing of the consents and approvals. If Validus agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any consents or approvals required to consummate a Proposed Transatlantic Acquisition, these requirements, limitations, additional costs or restrictions could adversely affect Validus' ability to integrate the operations of Validus and Transatlantic or reduce the anticipated benefits of the combination contemplated by a Proposed Transatlantic Acquisition. For more information, please see the section of this proxy statement titled "Risk Factors."

**Section 203 of the DGCL**

The completion of any Proposed Transatlantic Acquisition is subject to the condition that the Transatlantic Board shall have approved the Proposed Transatlantic Acquisition pursuant to the

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requirements of Section 203 of the DGCL, or Validus shall be satisfied that Section 203 does not apply to or otherwise restrict a Proposed Transatlantic Acquisition. This condition will be satisfied if (1) prior to effectiveness of the applicable Proposed Transatlantic Acquisition, the Transatlantic Board (x) shall have approved the acquisition of Transatlantic Shares pursuant to the applicable Proposed Transatlantic Acquisition or (y) shall have approved each of Validus and its subsidiaries as an "interested stockholder" or (2) Validus acquires Transatlantic Shares that, together with the Transatlantic Shares then owned by Validus, represent at least 85% of the Transatlantic Shares outstanding on the date hereof (excluding for the purposes of determining voting stock outstanding, Transatlantic Shares owned by certain employee stock plans and directors who are also officers of Transatlantic).

Section 203, in general, prevents an "interested stockholder" (generally, a stockholder and an affiliate or associate thereof owning 15% or more of a corporation's outstanding voting stock) from engaging in a "business combination" (as defined in Section 203) (defined to include a merger or consolidation and certain other transactions) with a Delaware corporation for a period of three years following the time such stockholder became an interested stockholder unless (1) prior to such time the corporation's board of directors approved either the business combination or the transaction which resulted in such stockholder becoming an interested stockholder, (2) upon consummation of the transaction which resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation's voting stock outstanding at the time the transaction commenced (excluding shares of stock owned by certain employee stock plans and persons who are directors and also officers of the corporation) or (3) at or subsequent to such time, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of stockholders (and not by written consent) by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock of the corporation (excluding for such purposes voting stock owned by the interested stockholder). Unless at least one of the conditions described above is satisfied, Section 203 of the DGCL would apply to the Second-Step Merger and any other business combination involving Validus or any of its subsidiaries, on the one hand, and Transatlantic, on the other hand. Consequently, Section 203 could significantly delay Validus' ability to acquire the entire equity interest in Transatlantic.

**Other State Takeover Statutes**

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. To the extent that these state takeover statutes (other than Section 203 of the DGCL) purport to apply to any Proposed Transatlantic Acquisition, Validus believes that there are reasonable bases for contesting such laws. In *Edgar v. MITE Corp.*, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in *CTS Corp. v. Dynamics Corp. of America*, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.*, a Federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma because they would subject those corporations to inconsistent regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds*, a federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December 1988, a federal district court

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in Florida held, in *Grand Metropolitan P.L.C. v. Butterworth*, that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida.

Transatlantic, directly or through its subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. Validus does not know whether any of these laws will, by their terms, apply to a Proposed Transatlantic Acquisition and has not complied with any such laws. Should any person seek to apply any state takeover law, Validus will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to any Proposed Transatlantic Acquisition, and an appropriate court does not determine that it is inapplicable or invalid as applied to any such Proposed Transatlantic Acquisition, Validus might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Validus might be unable to complete a Proposed Transatlantic Acquisition, or be delayed in continuing or consummating a Proposed Transatlantic Acquisition.

**Going Private Transaction**

The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Second-Step Merger or another business combination following the exchange of Transatlantic Shares pursuant to the Exchange Offer in which Validus seeks to acquire the remaining Transatlantic Shares not held by it. Validus believes that Rule 13e-3 should not be applicable to a Proposed Transatlantic Acquisition; however, the SEC may take a different view under the circumstances. Rule 13e-3 requires, among other things, that certain financial information concerning Transatlantic and certain information relating to the fairness of the proposed transaction and the consideration offered to minority stockholders in such transaction be filed with the SEC and disclosed to stockholders prior to consummation of the transaction.

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**INFORMATION ABOUT VALIDUS AND TRANSATLANTIC**

**Validus**

Validus is a Bermuda exempted company with its principal executive offices located at 29 Richmond Road, Pembroke, HM 08 Bermuda. 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 Re and 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 June 30, 2011, Validus had total shareholders' equity of \$3.5 billion and total assets of \$8.3 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.

Validus files periodic reports, proxy statements and other information with the SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website address is <http://www.sec.gov>. Validus Shares are traded on the NYSE with the symbol "VR." Similar information concerning Validus can be reviewed at the office of the NYSE at 20 Broad Street, New York, New York, 10005. Validus' website address is <http://www.validusholdings.com>. Information contained in this website is not part of this proxy statement.

Validus' annual reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge, including through its website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Copies of the charters for the audit committee, the compensation committee, the corporate governance and nominating committee, the finance committee and the underwriting committee, as well as Validus' Corporate Governance Guidelines, Code of Business Conduct and Ethics for Directors, Officers and Employees (the "Code"), which applies to all of Validus' directors, officers and employees, and Code of Ethics for Senior Officers, which applies to Validus' principal executive officer, principal accounting officer and other persons holding a comparable position, are available free of charge on Validus' website at [www.validusholdings.com](http://www.validusholdings.com) or by writing to Investor Relations, Validus Holdings, Ltd., 29 Richmond Road, Pembroke, Bermuda HM 08. Validus will also post on its website any amendment to the Code and any waiver of the Code granted to any of its directors or executive officers to the extent required by applicable rules.

**Transatlantic**

The following description of Transatlantic is taken from the Allied World/Transatlantic S-4.

Transatlantic is a holding company incorporated in the State of Delaware. Transatlantic, through its wholly-owned subsidiaries, TRC, Trans Re Zurich Reinsurance Company Ltd., 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

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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.

Internet Address: Transatlantic's Internet address is [www.transre.com](http://www.transre.com) and the investor relations section of its website is located at <http://ir1.transre.com>. Transatlantic makes available free of charge, through the investor relations section of its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

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**THE SPECIAL MEETING**

This proxy statement is being provided to the Validus Shareholders in connection with the solicitation of proxies by Validus' board of directors to be voted at the Special Meeting and any adjournment thereof.

**Date, Time and Place**

The Special Meeting will be held at \_\_\_\_\_, Atlantic time, on \_\_\_\_\_, 2011, at 29 Richmond Road, Pembroke, Bermuda HM 08.

**Record Date and Shares Entitled to Vote**

Validus 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 or any adjournments or postponements thereof. As of \_\_\_\_\_, 2011, there were \_\_\_\_\_ outstanding Validus Shares entitled to receive notice of and to vote at the Special Meeting, and \_\_\_\_\_ non-voting common 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, 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).

**How to Vote Your Validus Shares**

The manner in which your Validus Shares may be voted depends on how your Validus Shares are held.

If you are a shareholder of record, meaning that your Validus Shares are represented by certificates or book entries in your name so that you appear as a shareholder in the transfer books maintained by the share transfer agent, Bank of New York Mellon, a proxy card for voting those Validus Shares included with this proxy statement may be used. You may direct how your Validus Shares are to be voted by:

completing, signing, dating and returning the proxy card in the enclosed envelope; or

voting in person at the Validus Special Meeting by bringing the enclosed proxy card or using the ballot provided at the meeting. You should be prepared to present photo identification for admission upon request or you will not be admitted to the Special Meeting; or

alternatively, you may use the toll-free telephone number indicated on the proxy card to vote by telephone or visit the website indicated in the proxy card to vote on the Internet.

If you own Validus Shares through a bank, broker or other nominee (in "street name"), you should, instead of a proxy card, receive from your bank, broker or other nominee a voting instructions form. You can use such voting instructions form to instruct how your Validus Shares are to be voted. As with a proxy card, you may direct how your Validus Shares are to be voted by completing, signing, dating and returning the voting instructions form in accordance with the instructions received from your bank, broker or other nominee. In addition, many banks and brokerage firms have arranged for Internet or telephonic instructions regarding how shares are



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to be voted and provide instructions for using those services on the voting instruction form. Please consult with your bank, broker, or other nominee if you have any questions regarding the electronic voting of Validus Shares held in street name. Validus has requested that brokerage and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of Transatlantic Shares and will reimburse those persons for their reasonable out-of-pocket expenses for forwarding the materials. Only Validus Shareholders of record may vote their Validus Shares in person at the Special Meeting. Therefore, if you own your Validus Shares in street name, you will be entitled to attend the Special Meeting and vote your Validus Shares only if you have previously either arranged for the Validus Shares of record to be transferred 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 Validus 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 power of subdelegation from the shareholder of record as of the Record Date).

Validus has requested that brokerage and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of Validus Shares and it will reimburse the brokers and other fiduciaries for their reasonable out-of-pocket expenses for forwarding the materials.

**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.**

**Quorum; Required Vote; Abstentions and Broker Non-Votes**

The quorum required at the Special Meeting is 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 throughout the meeting. An 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. 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 Validus Shares, your bank, broker or other nominee will not be permitted to vote them at the Special Meeting. An affirmative vote of a majority of voting power present at the Special Meeting, at which a quorum is present in accordance with Validus' bye-laws, is required to approve the Adjournment Proposal. Abstentions and "broker non-votes" 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 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.

**How to Revoke a Proxy**

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 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, Bermuda HM 08 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 section of this proxy statement titled "How to Vote Your Validus Shares." 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

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other nominee or, if you have previously either arranged for the Validus Shares 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 Validus 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) by attending the Special Meeting and voting in person.

**The Proposals**

*Proposal 1: Share Issuance*

Validus' board of directors adopted, subject to Validus Shareholder approval at the Special Meeting, a resolution to approve the issuance of Validus Shares in connection with a Proposed Transatlantic Acquisition.

**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, any Proposed Transatlantic Acquisition.**

The listing requirements of the NYSE require that Validus Shareholders approve any issuance of Validus Shares or securities convertible into or exercisable for Validus Shares if (x) 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 (y) 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 June 30, 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 it would need to issue 97,249,766 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 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.

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.

**A Proposed Transatlantic Acquisition cannot be consummated unless Validus Shareholders approve the Share Issuance Proposal.**

**Validus' board of directors recommends a vote "FOR" the Share Issuance Proposal.**

*Proposal 2: Adjournment Proposal*

Validus Shareholders are being asked to consider and vote on a proposal to adjourn the Special Meeting, for the solicitation of additional proxies if there are not sufficient votes to approve the foregoing proposal.

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.

**Validus' board of directors recommends a vote "FOR" the Adjournment Proposal.**

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*Other Matters*

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

**Validus' Auditors**

Representatives of PricewaterhouseCoopers are not expected to be present at the Special Meeting and accordingly will not make any statement or be available to respond to any questions.

If you have any questions or require any assistance in voting your Validus Shares, please contact:

**501 Madison Avenue, 20th Floor  
New York, New York 10022  
Stockholders May Call Toll Free: (888) 750-5834  
Banks and Brokers May Call Collect: (212) 750-5833**

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The following table sets forth information as of July 29, 2011 regarding the beneficial ownership of Validus' common shares by:

each person known by Validus to beneficially own more than 5% of our outstanding common shares,

each of Validus' directors,

each of our named executive officers, and

all of our directors and executive officers as a group.

The information provided in the table below with respect to each principal shareholder has been obtained from that shareholder.

	Common Shares	Shares Subject To Exercise of Warrants	Unvested Restricted Shares and Shares Subject to Exercise of Options	Total Common Shares and Common Share Equivalents (16)	Total Beneficial Ownership (%)(2)	Fully Diluted Total Beneficial Ownership (%)(2)
<b>Beneficial owner(1)(16)(17)</b>						
Investment funds affiliated with The Goldman Sachs Group, Inc.(3),(4)	4,937,698	1,604,410		6,542,108	6.50%	5.81%
Aquiline Capital Partners LLC and the funds it manages(5)	6,255,943	2,756,088		9,012,031	8.85%	8.01%
Funds affiliated with or managed by Vestar Capital Partners(6)	4,086,770	972,810		5,059,580	5.06%	4.50%
Funds affiliated with or managed by New Mountain Capital, LLC(7)	3,849,997	784,056		4,634,053	4.64%	4.12%
Entities affiliated with Bank of America Corp. or managed by Bank of America Corp. affiliates(3),(8)	6,700,182	1,067,187		7,767,369	7.76%	6.90%
Edward J. Noonan(9)	471,541	29,039	981,648	1,482,228	0.51%	1.32%
Jeff Consolino(9)	91,865		437,611	529,476	0.09%	0.47%
Conan M. Ward(9)	78,464		429,488	507,952	0.08%	0.45%
C. N. Rupert Atkin(9)	331,352		60,669	392,021	0.33%	0.35%
Michael E. A. Carpenter	316,743			316,743	0.32%	0.28%
C. Jerome Dill	32,972		101,980	134,952	0.03%	0.12%
Stuart W. Mercer(9)	6,323		207,327	213,650	0.01%	0.19%
Julian G. Ross	28,419		12,680	41,099	0.03%	0.04%
Jonathan Ritz	1,436		20,546	21,982	0.00%	0.02%
Matthew J. Grayson(10)		291,151		291,151	0.29%	0.26%
Jeffrey W. Greenberg(10),(12)	6,255,943	2,766,107		9,022,050	8.86%	8.02%
John J. Hendrickson(10)			4,802	4,802	0.00%	0.00%
Sander M. Levy(10),(13)					5.06%	4.50%
Jean-Marie Nessi(10)					0.00%	0.00%
Mandakini Puri(10)					0.00%	0.00%
Alok Singh(10),(14)					4.64%	4.12%
Christopher E. Watson(10),(11)		6,026		6,026	0.01%	0.01%
Directors and Executive Officers as a group (18 persons)(15)	1,359,115	336,234	2,256,751	3,952,100	1.71%	3.51%
Shares held by persons owning less than 5% and unnamed executive officers	71,842,527	341,478	3,099,952	75,562,976	72.64%	66.90%
<b>Total</b>	<b>99,032,232</b>	<b>7,862,262</b>	<b>5,356,703</b>	<b>112,530,216</b>	<b>100.00%</b>	<b>100.00%</b>

(1)

All holdings in this beneficial ownership table have been rounded to the nearest whole share.

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- (2) The percentage of beneficial ownership for all holders has been rounded to the nearest 1/10th of a percentage. Total beneficial ownership is determined in accordance with the rules of the SEC and includes common shares issuable within 60 days of July 29, 2011 upon the exercise of all options and warrants and other rights beneficially owned by the indicated person on that date. Fully diluted total beneficial ownership is based upon all common shares and all common shares subject to exercise of options and warrants outstanding at July 29, 2011. Under our Bye-laws, if, and for so long as, the common 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 common shares entitled to vote on a matter, including an election of directors, the votes conferred by such 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 our Bye-laws), the votes conferred by such shares represent 9.09% of the aggregate voting power of all common shares entitled to vote on such matter.
- (3) All of the common shares beneficially owned by funds affiliated with or managed by The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. ("Goldman Sachs") are non-voting. 5,714,285 of the common shares beneficially owned by entities affiliated with Bank of America Corp. ("Bank of America") (the parent corporation of Merrill Lynch & Co, Inc. ("Merrill Lynch")) or managed by Bank of America affiliates are non-voting. Other shares listed are shares held by entities not managed by Merrill Lynch Global Private Equity.
- (4) Funds affiliated with or managed by Goldman Sachs (collectively, the "Goldman Sachs Funds") are GSCP V AIV, L.P. (1,652,541 shares and 638,458.3 warrants), GS Capital Partners V Employees Fund, L.P. (534,123 shares and 206,360.0 warrants), GS Capital Partners V Offshore, L.P. (1,129,544 shares and 436,397.5 warrants), GS Capital Partners V GmbH & Co. KG (86,690 shares and 33,495.5 warrants), GSCP V Institutional AIV, Ltd. (749,836 shares and 289,698.7 warrants), GS Private Equity Partners 1999, L.P. (408,029 shares), GS Private Equity Partners 1999 Offshore, L.P. (65,208 shares), GS Private Equity Partners 1999 Direct Investments Funds, L.P. (11,663 shares), GS Private Equity Partners 2000, L.P. (172,416 shares), GS Private Equity Partners 2000 Offshore Holdings, L.P. (60,689 shares) and GS Private Equity Partners 2000 Direct Investment Fund, L.P. (66,959 shares). The Goldman Sachs Group, Inc., and certain affiliates, including Goldman Sachs, which is a broker-dealer, and the Goldman Sachs Funds may be deemed to directly or indirectly beneficially own in the aggregate 4,937,698 of our common shares and 1,604,410.0 warrants which are owned directly or indirectly by the Goldman Sachs Funds. Affiliates of The Goldman Sachs Group, Inc. and Goldman Sachs are the general partner, managing general partner or managing limited partner of the Goldman Sachs Funds. Goldman Sachs is the investment manager for certain of the Goldman Sachs Funds. Goldman Sachs is a direct and indirect, wholly owned subsidiary of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc., Goldman Sachs and the Goldman Sachs Funds share voting power and investment power with certain of their respective affiliates. The Goldman Sachs Group, Inc. and Goldman Sachs each disclaim beneficial ownership of the common shares owned directly or indirectly by the Goldman Sachs Funds, except to the extent of their pecuniary interest therein, if any.
- (5) Funds managed by Aquiline Capital Partners LLC are Aquiline Financial Services Fund L.P. (4,015,760 shares and 116,503.2 warrants) and Aquiline Financial Services Fund (Offshore) L.P. (2,240,183 shares and 64,991.1 warrants). Aquiline Capital Partners LLC owns the remaining 2,574,593.7 of the warrants shown. Christopher E. Watson is a senior principal at Aquiline Capital Partners LLC and Jeffrey W. Greenberg is the managing principal of Aquiline Capital Partners LLC.
- (6) Funds affiliated with or managed by Vestar Capital Partners are Vestar AIV Employees Validus Ltd. (43,111 shares and 10,236.3 warrants), Vestar AIV Holdings B L.P. (34,109 shares and 8,130.9 warrants), and Vestar AIV Holdings A L.P. (4,009,550 shares and 954,442.4 warrants). Sander M. Levy is a managing director of Vestar Capital Partners.
- (7) Funds affiliated with or managed by New Mountain Capital, LLC are New Mountain Partners II (Cayman), L.P. (3,516,057 shares and 716,031.5 warrants), Allegheny New Mountain Partners (Cayman), L.P. (272,106 shares and 55,392.1 warrants) and New Mountain Affiliated Investors II (Cayman), L.P. (61,834 shares and 12,632.0 warrants). Alok Singh is a managing director of New Mountain Capital, LLC.
- (8) Entities affiliated with Bank of America or managed by Bank of America affiliates are ML Global Private Equity Fund, L.P. (4,285,714 shares and 364,803.6 warrants), Merrill Lynch Ventures L.P. 2001 (1,428,571 shares and 121,601.2 warrants), GMI Investments, Inc. (580,781.9 warrants) and Merrill Lynch, Pierce, Fenner & Smith Incorporated (559,158 shares), Bank of America, National Association (422,967 shares), Banc of America Investment Advisors, Inc. (3,051 shares) and Merrill Lynch International (721 shares).
- The general partner of ML Global Private Equity Fund, L.P. is MLGPE LTD., a Cayman Islands exempted company whose sole shareholder is ML Global Private Equity Partners, L.P., a Cayman Islands exempted limited partnership ("ML Partners"). The investment committee of ML Partners, which is composed of Merrill Lynch GP, Inc., a Delaware corporation, as the general partner of ML Partners, and certain investment professionals who are actively performing services for ML Global Private Equity Fund, L.P., retains decision-making power over the disposition and voting of shares of portfolio investments of ML Global Private Equity Fund, L.P. The consent of Merrill Lynch GP, Inc., as ML Partners' general partner, is required for any such vote. Merrill Lynch GP, Inc. is a wholly owned subsidiary of Merrill Lynch Group, Inc., a Delaware corporation, which in turn is a wholly owned subsidiary of Merrill Lynch, which in turn is a wholly owned subsidiary of Bank of America. MLGPE LTD., as general partner of ML Global Private Equity Fund, L.P.; ML Partners, the special limited partner of ML Global Private Equity Fund, L.P.; Merrill Lynch GP, Inc., by virtue of its right to

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consent to the voting of shares of portfolio investments of ML Global Private Equity Fund, L.P.; the individuals who are members of the investment committee of ML Partners; and each of Merrill Lynch Group, Inc. and Merrill Lynch, because they control Merrill Lynch GP, Inc., may therefore be deemed to beneficially own the shares that ML Global Private Equity Fund, L.P. holds of record or may be deemed to beneficially own. Each such entity or individual expressly disclaims beneficial ownership of these shares.

The general partner of Merrill Lynch Ventures L.P. 2001 is Merrill Lynch Ventures, L.L.C. ("ML Ventures"), which is a wholly owned subsidiary of Merrill Lynch Group, Inc. Decisions regarding the voting or disposition of shares of portfolio investments of Merrill Lynch Ventures L.P. 2001 are made by the management and investment committee of the board of directors of ML Ventures, which is composed of three individuals. Each of ML Ventures, because it is the general partner of Merrill Lynch Ventures L.P. 2001; Merrill Lynch Group, Inc. and Merrill Lynch, because they control ML Ventures; and the three members of the ML Ventures investment committee, by virtue of their shared decision making power, may be deemed to beneficially own the shares held by Merrill Lynch Ventures L.P. 2001. Such entities and individuals expressly disclaim beneficial ownership of the shares that Merrill Lynch Ventures L.P. 2001 holds of record or may be deemed to beneficially own.

Merrill Lynch Ventures L.P. 2001 disclaims beneficial ownership of the shares that ML Global Private Equity Fund, L.P. holds of record or may be deemed to beneficially own. ML Global Private Equity Fund, L.P. disclaims beneficial ownership of the shares that Merrill Lynch Ventures, L.P. 2001 holds of record or may be deemed to beneficially own.

- (9) Unvested restricted shares held by our named executive officers and included in common shares accumulate dividends and may be voted. Unvested restricted shares held by our named executive officers are Mr. Noonan (241,807 shares), Mr. Consolino (190,997 shares), Mr. Ward (182,874 shares), Mr. Atkin (60,669 shares), Mr. Dill (74,764), Mr. Mercer (157,327 shares), Mr. Ross (12,680 shares) and Mr. Ritz (20,546 shares).
- (10) See "Election of Directors" in Validus' proxy statement for its 2011 annual general meeting filed with the SEC on March 23, 2011 for biographies of the directors, including their relationships with certain beneficial owners of common shares listed in this table.
- (11) Does not include shares and warrants beneficially owned by Aquiline Capital Partners LLC and the funds it manages. Mr. Watson disclaims the existence of a group and beneficial ownership of the shares and warrants owned by Aquiline Capital Partners LLC and the funds it manages.
- (12) Includes shares and warrants beneficially owned by Aquiline Capital Partners LLC and the funds it manages. Mr. Greenberg disclaims existence of a group and disclaims beneficial ownership of the shares, options and warrants owned by entities affiliated with or managed by Aquiline Capital Partners LLC.
- (13) Includes shares and warrants beneficially owned by entities affiliated with or managed by Vestar Capital Partners. Mr. Levy disclaims existence of a group and disclaims beneficial ownership of the shares, options and warrants owned by entities affiliated with or managed by Vestar Capital Partners.
- (14) Includes shares, options and warrants beneficially owned by entities affiliated with or managed by New Mountain Capital LLC. Mr. Singh disclaims existence of a group and disclaims beneficial ownership of the shares, options and warrants owned by entities affiliated with or managed by New Mountain Capital Group, LLC.
- (15) Excludes shares as to which beneficial ownership is disclaimed.
- (16) Total common shares and common share equivalents equal the sum of (i) common shares; (ii) unvested restricted shares; (iii) shares subject to the exercise of warrants; and (iv) shares subject to the exercise of options.
- (17) The addresses of each beneficial owner are as follows: Funds affiliated with or managed by Goldman, Sachs & Company, c/o Goldman, Sachs & Co., 200 West Street, New York, NY 10282; Aquiline Financial Services Fund L.P., c/o Aquiline Capital Partners LLC, 535 Madison Avenue, New York, NY 10022; Funds affiliated with or managed by Vestar, c/o Vestar Capital Partners, 245 Park Avenue, 41st Floor, New York, NY 10167; Funds affiliated with or managed by New Mountain Capital, LLC, c/o New Mountain Capital, LLC, 787 Seventh Avenue, 49th Floor, New York, NY 10019; Funds affiliated with or managed by Bank of America, c/o Merrill Lynch Global Private Equity, 4 World Financial Center, 23rd Floor, New York, NY 10080. The address of each other beneficial owner listed is c/o Validus Holdings, Ltd., 29 Richmond Road, Pembroke HM08 Bermuda.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Validus**

Validus has established written procedures for the review of transactions between Validus and any company affiliated with funds managed by any of Validus' sponsors (a "portfolio company") or any other company in which Validus' officers or directors have a material interest. Any such transaction must be reviewed and approved by our management or the management of the operating subsidiary entering into the transaction, and the terms of such transaction should be arm's-length or on terms that are otherwise fair to Validus. Any such transaction will also require prior approval of the audit committee, except reinsurance assumed transactions with a portfolio company that senior management has determined are ordinary course. Furthermore, the effect, if any, of such a transaction on the independence of any director will be considered.

The employers of or entities associated with certain directors or their affiliates have purchased or may in the future purchase insurance and/or reinsurance from Validus on terms Validus believes were and will be no more favorable to these insureds than those made available to other customers.

Certain members of Validus' management and staff have provided guarantees to 1384 Capital Ltd, a company formed to indirectly facilitate the provision of Funds at Lloyd's.

***Compensation Committee Interlocks and Insider Participation***

Validus' compensation committee is composed of John J. Hendrickson, Sander M. Levy, Mandakini Puri and Alok Singh. Sumit Rajpal was a member of the compensation committee until his resignation from the Board on February 7, 2011. Entities affiliated with Messrs. Hendrickson, Levy, Rajpal and Singh acquired Validus common shares at the time of our formation and are parties to our shareholder agreement described below.

***Shareholders' Agreement and Related Provisions***

Certain Validus Shareholders who acquired Validus common shares prior to the date of our initial public offering ("Existing Shareholders") and we have entered into a shareholders' agreement dated as of December 12, 2005 that governs certain relationships among, and contains certain rights and obligations of, such Existing Shareholders. In connection with any future public offerings of Validus common shares by us, the shareholders' agreement grants those Existing Shareholders certain rights to participate in registered offerings by Validus of its common shares, including "demand" and "piggyback" registration rights. The shareholders' agreement defines Aquiline Capital Partners, LLC (together with its related companies "Aquiline"), Goldman Sachs Capital Partners, Vestar Capital Partners, New Mountain Capital and Merrill Lynch Global Private Equity as "Sponsors." So long as a Sponsor continues to beneficially hold at least 1/3 of its original common shares, a Sponsor is deemed to be a "Qualified Sponsor." The shareholders' agreement permits Qualified Sponsors to make up to four demand registrations.

These demand and piggyback registration rights are subject to limitations as to the maximum number of Validus common shares that may be registered if the managing underwriter in such an offering advises that the number of Validus common shares offered should be limited due to market conditions or otherwise. We are required to pay all expenses incurred in connection with demand and piggyback registrations, excluding, in the case of demand registrations, underwriting discounts and commissions. Each of Goldman Sachs Capital Partners and Merrill Lynch Global Private Equity are entitled to require pursuant to the shareholders' agreement that Validus appoint each of Goldman Sachs and Merrill Lynch to act as a lead managing underwriter for certain demand registrations; provided that each of Goldman Sachs and Merrill Lynch individually are recognized at the time as a

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leading underwriter for such securities and affiliates of Goldman Sachs and Merrill Lynch are Qualified Sponsors at such time and the terms offered are market terms.

Additionally, the shareholders' agreement provides that Existing Shareholders as well as affiliates, directors, officers, employees and agents of Existing Shareholders are permitted to engage in activities or businesses that are competitive with Validus. This section of the shareholders' agreement also specifically releases Existing Shareholders from any obligation to refer business opportunities to Validus and establishes that no Existing Shareholder has any fiduciary duty to Validus.

***Relationships with Our Founder and Sponsoring Investors and Their Related Parties***

On December 8, 2005, Validus Re entered into an agreement with Goldman Sachs Asset Management and its affiliates ("GSAM") under which GSAM was appointed as an investment manager for part of Validus Re's investment portfolio. Investment management fees earned by GSAM for year ended December 31, 2010 were \$1,728,000. Sumit Rajpal, who served as a Director of Validus until February 7, 2011, serves as a managing director of Goldman, Sachs & Co.

Pursuant to reinsurance agreements with Syndicate 4020 at Lloyd's, a syndicate managed by Ark Syndicate Management Limited, a subsidiary of Group Ark Insurance Holdings Ltd. ("Group Ark"), Validus has recognized reinsurance premiums ceded of \$737,853 for the year ended December 31, 2010. In addition, pursuant to reinsurance agreements with a subsidiary of Group Ark, Validus recognized gross premiums written during the year ended December 31, 2010 of \$2,238,778. The contract terms were negotiated on an arms-length basis. Aquiline and its affiliates own a majority of the ordinary shares of, and Messrs. Greenberg and Watson serve as directors of, Group Ark. Aquiline is also a shareholder of Tiger Risk. Pursuant to certain reinsurance contracts, Validus recognized brokerage expenses paid to Tiger Risk of \$1,461,238 during the year ended December 31, 2010. Mr. Watson serves as a director of Tiger Risk.

In November of 2009, Validus entered into an Investment Management Agreement with Conning, Inc. ("Conning") to manage a portion of Validus' investment portfolio. Conning is wholly owned by Aquiline. Messrs. Hendrickson and Greenberg serve as directors of Conning Holdings Corp., the parent company of Conning and Michael Carpenter, the chairman of Talbot Holdings, Ltd. serves as a director of a subsidiary of Conning Holdings Corp.

Investment management fees of \$379,348 were incurred under this agreement during the year ended December 31, 2010.

***Executive Compensation***

Validus is not a party to any compensation agreement or understanding between its own named executive officers or the named executive officers of Transatlantic that would result in the payment of any amount, or the acceleration of vesting of any amount, as a result of a Proposed Transatlantic Acquisition, or otherwise would be affected by a Proposed Transatlantic Acquisition. Whether or not a Proposed Transatlantic Acquisition occurs, Validus' named executive officers are entitled to certain payments in connection with certain terminations of employment pursuant to the terms of their employment agreements with Validus but these payments would not differ based on whether the termination of employment occurred before or after a Proposed Transatlantic Acquisition or whether a Proposed Transatlantic Acquisition occurs.

Page 98 of the Allied World/Transatlantic S-4 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 Proposed Allied World Acquisition.



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**SOLICITATION OF PROXIES**

Except as set forth below, Validus will not pay any fees or commissions to any broker, dealer, commercial bank, trust company or other nominee for the solicitation of proxies in connection with this solicitation.

Proxies will be solicited by mail, telephone, facsimile, telegraph, the internet, e-mail, newspapers and other publications of general distribution and in person.

Validus has retained Innisfree for solicitation and advisory services in connection with solicitations relating to the Special Meeting, for which Innisfree may receive a fee of up to \$600,000 in connection with the solicitation of proxies for the Special Meeting and other solicitations and advisory services in connection with a Proposed Transatlantic Acquisition. Up to 60 people may be employed by Innisfree in connection with the solicitation of proxies for the Special Meeting. Validus has also agreed to reimburse Innisfree for out-of-pocket expenses and to indemnify Innisfree against certain liabilities and expenses, including reasonable legal fees and related charges. Innisfree will solicit proxies for the Special Meeting from individuals, brokers, banks, bank nominees and other institutional holders. The entire expense of soliciting proxies for the Special Meeting by or on behalf of Validus is being borne by Validus.

If you have any questions concerning this proxy statement or the procedures to be followed to execute and deliver a proxy, please contact Innisfree at the address or phone number specified above or on the back cover of this proxy statement.

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**OTHER INFORMATION**

All references to "dollars" and "\$" in this proxy statement refer to U.S. dollars.

Validus has filed a preliminary proxy statement in connection with the solicitation of proxies from Transatlantic stockholders to vote against the adoption of the Allied World Acquisition Agreement and vote against other proposals brought before the special meeting of Transatlantic stockholders to be held to consider such proposals. This proxy statement does not relate to the special meeting of Transatlantic stockholders or the adoption of the Allied World Acquisition Agreement.

The information concerning Transatlantic, its business, management and operations presented or incorporated by reference in this proxy statement has been taken from, or is based upon, publicly available information on file with the SEC and other publicly available information. Although Validus has no knowledge that would indicate that statements and information relating to Transatlantic contained or incorporated by reference in this proxy statement, in reliance upon publicly available information, are inaccurate or incomplete, to date it has not had access to the full books and records of Transatlantic, was not involved in the preparation of such information and statements and is not in a position to verify any such information or statements.

The consolidated financial statements of Transatlantic appearing in the Transatlantic 10-K and the Transatlantic 10-Q (including schedules appearing therein), and Transatlantic management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 and March 31, 2011 included therein, have been audited by an independent registered public accounting firm, as set forth in their reports thereon, included therein, and included and/or incorporated herein by reference. Validus has not obtained the authorization of Transatlantic's independent auditors to incorporate by reference the audit reports relating to this information.

Pursuant to Rule 12b-21 under the Exchange Act, Validus requested that Transatlantic provide Validus with information required for complete disclosure regarding the businesses, operations, financial condition and management of Transatlantic. Validus will amend or supplement this proxy statement to provide any and all information Validus receives from Transatlantic, if Validus receives the information before the Special Meeting and Validus considers it to be material, reliable and appropriate.

Please see the section of this proxy statement titled "Where You Can Find More Information."

**SHAREHOLDER PROPOSALS FOR VALIDUS 2012 ANNUAL GENERAL MEETING**

Shareholder proposals intended for inclusion in the proxy statement for the Validus 2012 annual general meeting should be submitted in accordance with the procedures prescribed by Rule 14a-8 promulgated under the Exchange Act and sent to the General Counsel at Validus Holdings, Ltd., 29 Richmond Road, Pembroke, Bermuda HM 08. Such proposals must be received by November 25, 2011.

In addition, a Validus shareholder may present a proposal at the Validus 2012 annual general meeting other than pursuant to Rule 14a-8 promulgated under the Exchange Act. Any such proposal will not be included in the proxy statement for the Validus 2012 annual general meeting and must be received by the General Counsel at Validus Holdings, Ltd., 29 Richmond Road, Pembroke, Bermuda HM 08 by February 9, 2012. If any such proposal is not so received, such proposal will be deemed untimely and, therefore, the persons appointed by Validus' board of directors as its proxies will have the right to exercise discretionary voting authority with respect to such proposal.

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**WHERE YOU CAN FIND MORE INFORMATION**

Validus and Transatlantic file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Validus and Transatlantic file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. These SEC filings are also available to the public from the Internet worldwide website maintained by the SEC at <http://www.sec.gov>. Reports, proxy statements and other information for Validus and Transatlantic may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York, 10005.

If you are a Validus Shareholder, some of the documents previously filed with the SEC may have been sent to you, but you can also obtain any of them through Validus, the SEC or the SEC's Internet website as described above. Documents filed with the SEC are available from Validus without charge, excluding all exhibits, except that, if Validus has specifically incorporated by reference an exhibit in this proxy statement, the exhibit will also be provided without charge.

You may obtain documents filed with the SEC by requesting them in writing or by telephone from Innisfree.

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.

You can also get more information by visiting Validus' website at <http://www.validusholdings.com> and Transatlantic's website at <http://www.transre.com>.

Materials from these websites and other websites mentioned in this proxy statement are not incorporated by reference in this proxy statement. If you are viewing this proxy statement in electronic format, each of the URLs mentioned in this proxy statement is an active textual reference only.

The SEC allows Validus to "incorporate by reference" information in this proxy statement, which means that Validus can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement, except for any information that is superseded by information included directly in this proxy statement. This proxy statement incorporates by reference the documents set forth below that Validus and Transatlantic have previously filed with the SEC. These documents contain important information about Validus and Transatlantic and their financial condition, business and results.

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#### **Validus Filings**

##### **(Commission File No. 001-33606)**

Annual Report on Form 10-K	For the fiscal year ended December 31, 2010
Quarterly Report on Form 10-Q	For the three months ended March 31, 2011 and the six months ended June 30, 2011
Current Reports on Form 8-K	Filed on February 25, 2011, February 28, 2011, March 17, 2011, April 5, 2011, May 5, 2011, May 5, 2011, May 9, 2011, May 10, 2011, May 23, 2011, June 1, 2011, June 23, 2011, July 13, 2011, August 3, 2011, August 8, 2011 and August 8, 2011 (other than any portion of any documents not deemed to be filed)
The description of Validus Shares contained in its registration statement on Form S-3, including any amendment or report filed for the purpose of updating the description.	Filed on August 7, 2008
Proxy Statement on Schedule 14A	Filed on March 23, 2011

#### **Transatlantic Filings**

##### **(Commission File No. 000-27662)**

Annual Report on Form 10-K	For fiscal year ended December 31, 2010
Quarterly Report on Form 10-Q	For the three months ended March 31, 2011 and the six months ended June 30, 2011
Current Reports on Form 8-K	Filed on March 11, 2011, March 29, 2011, April 5, 2011, April 26, 2011, May 20, 2011, June 1, 2011, June 13, 2011, June 13, 2011, June 15, 2011, July 6, 2011, July 7, 2011, July 13, 2011, July 13, 2011, July 20, 2011, July 25, 2011, July 27, 2011, July 28, 2011, July 29, 2011, August 8, 2011, August 9, 2011 and August 12, 2011 (other than any portions of any documents not deemed to be filed)

Validus also incorporates by reference into this proxy statement each document filed by Validus or Transatlantic with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement, but before the date of the Special Meeting. To the extent, however, required by the rules and regulations of the SEC, Validus will amend this proxy statement to include information filed after the date of this proxy statement.

Validus has supplied all of the information contained or incorporated by reference in this proxy statement relating to Validus and has prepared the unaudited pro forma financial information in this proxy statement. All information contained or incorporated by reference in this proxy statement relating to Transatlantic has been obtained from public filings filed by Transatlantic with the SEC.

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**UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION**

The following 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 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 unaudited condensed consolidated pro forma financial statements. The following 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 a Proposed Transatlantic Acquisition see the section of this proxy statement titled "The Proposed Transatlantic Acquisition."

The 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 unaudited condensed consolidated pro forma financial information gives effect to the proposed acquisition as if it had occurred at June 30, 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 six months ended June 30, 2011.

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

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The following table presents unaudited condensed consolidated pro forma balance sheet data at June 30, 2011 (expressed in thousands of U.S. dollars, except share and per share data) giving effect to the proposed acquisition of Transatlantic Shares as if it had occurred at June 30, 2011:

	Historical Validus Holdings, Ltd.	Historical Transatlantic Holdings, Inc.	Pro Forma Purchase adjustments	Notes	Pro Forma Consolidated
<b>Assets</b>					
Fixed maturities, at fair value	\$ 4,603,534	\$ 12,436,986	\$ (107,000)	3(b), 3(i), 4	\$ 16,933,520
Short-term investments, at fair value	725,258	210,307			935,565
Other investments, at fair value	18,746	863,380			882,126
Cash and cash equivalents	815,921	341,673			1,157,594
Total investments and cash	6,163,459	13,852,346	(107,000)		19,908,805
Premiums receivable	1,046,775	785,550	(2,527)	3(e)	1,829,798
Deferred acquisition costs	176,724	276,045			452,769
Prepaid reinsurance premiums	177,729	61,990	(2,922)	3(e)	236,797
Securities lending collateral	21,409				21,409
Loss reserves recoverable	439,805	956,097	(8,782)	3(e)	1,387,120
Paid losses recoverable	30,854		(1,763)	3(e)	29,091
Accrued investment income	21,320	152,323			173,643
Current taxes recoverable	3,503		128,822	3(h)	132,325
Intangible assets	116,813				116,813
Goodwill	20,393				20,393
Other assets	41,004	622,002	29,235	3(b), 3(h), 3(i)	692,241
<b>Total assets</b>	<b>\$ 8,259,788</b>	<b>\$ 16,706,353</b>	<b>\$ 35,063</b>		<b>\$ 25,001,204</b>
<b>Liabilities</b>					
Reserve for losses and loss expense	\$ 2,620,360	\$ 9,950,709	\$ 491,218	3(e), 3(h)	\$ 13,062,287
Unearned premiums	1,192,772	1,349,101	(2,922)	3(e)	2,538,951
Reinsurance balances payable	181,013		(4,290)	3(e)	176,723
Deferred taxation	22,122				22,122
Securities lending payable	22,133				22,133
Net payable for investments purchased	49,479				49,479
Accounts payable and accrued expenses	91,969	166,826			258,795
Senior notes payable and credit facility payable	246,928	1,005,785	500,000	3(g)	1,752,713
Debentures payable	289,800				289,800
<b>Total liabilities</b>	<b>4,716,576</b>	<b>12,472,421</b>	<b>984,006</b>		<b>18,173,003</b>
<b>Shareholders' equity</b>					
Ordinary shares	23,414	67,847	(50,828)	3(a), 3(d)	40,433
Treasury shares	(6,131)	(244,722)	244,722	3(d)	(6,131)
Additional paid-in capital	1,880,748	322,925	1,996,968	3(a), 3(d)	4,200,641
Accumulated other comprehensive gain (loss)	(4,519)	234,984	(234,984)	3(d)	(4,519)
Retained earnings	1,514,805	3,852,898	(2,904,821)	3(b), 3(d), 3(f), 3(g), 3(h), 3(i)	2,462,882
<b>Total shareholders' equity available to Company</b>	<b>3,408,317</b>	<b>4,233,932</b>	<b>(948,943)</b>		<b>6,693,306</b>
Non controlling interest	134,895				134,895
Total shareholders' equity	3,543,212	4,233,932	(948,943)		6,828,201
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,259,788</b>	<b>\$ 16,706,353</b>	<b>\$ 35,063</b>		<b>\$ 25,001,204</b>
Common shares outstanding	98,763,928	62,483,787	97,249,766		196,013,694

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Common shares and common share equivalents outstanding	112,563,933	66,312,398	103,364,256		215,928,189
Book value per share	\$ 34.51	\$ 67.76		7	\$ 34.15
Diluted book value per share	\$ 31.91	\$ 65.77		7	\$ 32.44
Diluted tangible book value per share	\$ 30.69	\$ 65.77		7	\$ 31.80

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The following table sets forth unaudited condensed consolidated pro forma results of operations for the year ended December 31, 2010 (expressed in thousands of U.S. dollars, except share and per share data) giving effect to the proposed acquisition of Transatlantic Shares as if it had occurred at January 1, 2010:

	Historical Validus Holdings, Ltd.	Historical Transatlantic Holdings, Inc.	Pro Forma Purchase adjustments	Notes	Pro Forma Consolidated
<b>Revenues</b>					
Gross premiums written	\$ 1,990,566	\$ 4,132,931	\$ (5,121)	3(e)	\$ 6,118,376
Reinsurance premiums ceded	(229,482)	(251,238)	5,121	3(e)	(475,599)
Net premiums written	1,761,084	3,881,693			5,642,777
Change in unearned premiums	39	(23,073)			(23,034)
Net premiums earned	1,761,123	3,858,620			5,619,743
Net investment income	134,103	473,547	(5,996)	3(b)	601,654
Net realized gains on investments	32,498	38,073			70,571
Net unrealized gains (losses) on investments	45,952		(63,509)	3(i)	(17,557)
Other-than-temporary impairments charged to earnings		(7,972)	7,972	3(i)	
Loss on early extinguishment of debt		(115)			(115)
Other income	5,219				5,219
Foreign exchange gains	1,351				1,351
<b>Total revenues</b>	1,980,246	4,362,153	(61,533)		6,280,866
<b>Expenses</b>					
Losses and loss expense	987,586	2,681,774		5	3,669,360
Policy acquisition costs	292,899	929,922			1,222,821
General and administrative expenses	209,290	209,397	(35,300)	3(j)	383,387
Share compensation expense	28,911		35,300	3(j)	64,211
Finance expenses	55,870	68,272	16,250	3(g)	140,392
<b>Total expenses</b>	1,574,556	3,889,365	16,250		5,480,171
<b>Income before taxes</b>	405,690	472,788	(77,783)		800,695
Income tax expense (benefit)	(3,126)	(70,587)	21,277	3(b) 3(i)	(52,436)
<b>Income after taxes</b>	\$ 402,564	\$ 402,201	\$ (56,506)		\$ 748,259
Preferred dividend and warrant dividend	6,991				6,991
<b>Net income available to common shareholders</b>	\$ 395,573	\$ 402,201	\$ (56,506)		\$ 741,268
<b>Earnings per share</b>					
Weighted average number of common shares and common share equivalents outstanding					
Basic	116,018,364	64,092,000	97,236,888		213,255,252
Diluted	120,630,945	64,930,000	98,541,151		219,172,096
Basic earnings per share	\$ 3.41	\$ 6.28		6	\$ 3.48
Diluted earnings per share	\$ 3.34	\$ 6.19		6	\$ 3.41



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The following table sets forth unaudited condensed consolidated pro forma results of operations for the six months ended June 30, 2011 (expressed in thousands of U.S. dollars, except share and per share data) giving effect to the proposed acquisition Transatlantic Shares as if it had occurred at January 1, 2010:

	Historical Validus Holdings, Ltd.	Historical Transatlantic Holdings, Inc.	Pro Forma Purchase Adjustments	Notes	Pro Forma Consolidated
<b>Revenues</b>					
Gross premiums written	\$ 1,455,283	\$ 2,157,464	\$ (9,052)	3(e)	\$ 3,603,695
Reinsurance premiums ceded	(242,166)	(116,992)	9,052	3(e)	(350,106)
Net premiums written	1,213,117	2,040,472			3,253,589
Change in unearned premiums	(357,944)	(128,714)			(486,658)
Net premiums earned	855,173	1,911,758			2,766,931
Net investment income	56,469	226,348	(2,748)	3(b)	280,069
Net realized gains on investments	17,931	57,785			75,716
Other-than-temporary impairments charged to earnings		(3,139)	3,139	3(i)	
Net unrealized gains on investments	5,698		90,257	3(i)	95,955
Loss on early extinguishment of debt		(1,179)			(1,179)
Other income	2,201				2,201
Foreign exchange losses	(2,458)				(2,458)
<b>Total revenues</b>	<b>935,014</b>	<b>2,191,573</b>	<b>90,648</b>		<b>3,217,235</b>
<b>Expenses</b>					
Losses and loss expenses	683,505	1,850,178		5	2,533,683
Policy acquisition costs	155,526	437,782			593,308
General and administrative expenses	109,318	96,051	(24,150)	3(b), 3(j)	181,219
Share compensation expenses	19,677		17,650	3(j)	37,327
Finance expenses	30,362	33,587	8,125	3(g)	72,074
<b>Total expenses</b>	<b>998,388</b>	<b>2,417,598</b>	<b>1,625</b>		<b>3,417,611</b>
<b>Net (loss) income before taxes</b>	<b>(63,374)</b>	<b>(226,025)</b>	<b>89,023</b>		<b>(200,376)</b>
Tax benefit (expense)	1,488	116,755	(34,110)	3(b), 3(i)	84,133

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<b>Net (loss) income</b>	(61,886)	(109,270)	54,913	(116,243)
<b>Net income attributable to noncontrolling interest</b>	(594)			(594)
<b>Net loss attributable to Validus</b>	\$ (62,480)	\$ (109,270)	\$ 54,913	\$ (116,837)
<b>Earnings per share</b>				
Weighted average number of common shares and common share equivalents outstanding				
Basic	98,165,132	62,430,000	97,249,766	195,414,898
Diluted	98,165,132	62,430,000	97,249,766	195,414,898
Basic loss per share	\$ (0.68)	\$ (1.75)	6	\$ (0.62)
Diluted loss per share	\$ (0.68)	\$ (1.75)	6	\$ (0.62)

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**Validus Holdings, Ltd.**

**Notes to Unaudited Condensed Consolidated Pro Forma Financial Statements (unaudited)  
(Expressed in thousands of U.S. dollars, except share and per share data)**

**1. Basis of Presentation**

The unaudited condensed consolidated pro forma financial information gives effect to the Proposed Transatlantic Acquisition, structured in the form of the Exchange Offer and Second-Step Merger, as if it had occurred at June 30, 2011 for the purposes of the unaudited condensed 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 six months ended June 30, 2011. Note 3(g) below sets forth the changes to this presentation that would be effected if the Proposed Transatlantic Acquisition were instead consummated pursuant to the terms of the Merger Offer. The unaudited condensed consolidated pro forma financial information has been prepared by Validus' management and is based on Validus' historical consolidated financial statements and Transatlantic's historical consolidated financial statements. Certain amounts from Transatlantic's historical consolidated financial statements have been reclassified to conform to the Validus presentation. The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic's books and records or discussion with the Transatlantic management team. 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 unaudited condensed consolidated pro forma financial statements. Additional reclassifications of Transatlantic data to conform to the Validus presentation may also be required.

This unaudited condensed consolidated pro forma financial information is prepared in conformity with United States Generally Acceptable Accounting Principles ("US GAAP"). The unaudited condensed consolidated pro forma balance sheet as of June 30, 2011 and the unaudited condensed consolidated pro forma statements of operations for the year ended December 31, 2010 and the six month period ended June 30, 2011 have been prepared using the following information:

- (a) Audited historical consolidated financial statements of Validus as of December 31, 2010 and for the year ended December 31, 2010;
- (b) Audited historical consolidated financial statements of Transatlantic as of December 31, 2010 and for the year ended December 31, 2010;
- (c) Unaudited historical consolidated financial statements of Validus as of June 30, 2011 and for the six months ended June 30, 2011;
- (d) Unaudited historical consolidated financial statements of Transatlantic as of June 30, 2011 and for the six months ended June 30, 2011; and
- (e) Such other known supplementary information as considered necessary to reflect the acquisition in the unaudited condensed consolidated pro forma financial information.

The pro forma adjustments reflecting the consummation of the Exchange Offer and the Second-Step Merger under the acquisition method of accounting are based on certain estimates and assumptions. The unaudited condensed consolidated pro forma adjustments may be revised as additional information becomes available. The actual adjustments upon consummation of the exchange offer and the second-step merger and the allocation of the final purchase price will depend on a number of factors, including additional financial information available at such time, changes in values and changes in Transatlantic's operating results between the date of preparation of this unaudited condensed consolidated pro forma financial information and the effective date of the Exchange Offer and the Second-Step Merger. Therefore, it is likely that the actual adjustments will differ from the pro

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forma adjustments and it is possible the differences may be material. Validus' management believes that its assumptions provide a reasonable basis for presenting all of the significant effects of the transactions contemplated based on information available to Validus at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited condensed consolidated pro forma financial information.

The unaudited condensed consolidated pro forma financial information does not include any financial benefits, revenue enhancements or operating expense efficiencies arising from the Exchange Offer and the Second-Step Merger.

Estimated costs of the transaction as well as the benefit of the negative goodwill have been reflected in the unaudited condensed consolidated pro forma balance sheet, but have not been included on the pro forma income statement due to their non-recurring nature.

The unaudited condensed consolidated pro forma financial information is not intended to reflect the results of operations or the financial position that would have resulted had the exchange offer and the second-step merger been effected on the dates indicated and if the companies had been managed as one entity. The 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, as filed with the SEC. See the section of this proxy statement titled "Where You Can Find More Information."

## **2. Recent Accounting Pronouncements**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). The objective of ASU 2011-04 is to provide common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the amendments do not result in a change in the application of the requirements in Topic 820 "Fair Value Measurements." ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. Validus is currently evaluating the impact of this guidance, however it is not expected to have a material impact on Validus' consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"). The objective of ASU 2011-05 is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. Validus is currently evaluating the impact of this guidance, however it is not expected to have a material impact on Validus' consolidated financial statements.

## **3. Purchase Adjustments**

Validus is offering to exchange for each Transatlantic Share that is validly tendered and not properly withdrawn prior to the expiration time of the Exchange Offer, 1.5564 Validus Shares and \$8.00 in cash (less applicable withholding taxes and without interest), upon the terms and subject to the conditions contained in the prospectus/offer to exchange filed by Validus on July 25, 2011 and the accompanying revised letter of transmittal. Validus intends, promptly following acceptance for exchange and exchange of Transatlantic Shares in the Exchange Offer, to effect the Second-Step Merger 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

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received by Transatlantic stockholders pursuant to the Exchange Offer. Validus could also effect a Proposed Transatlantic Acquisition through the terms of the Merger Offer. For a summary of the changes to this presentation that would be effected if a Proposed Transatlantic Acquisition were instead consummated pursuant to the terms of the Merger Offer please see Note 3(g) below.

In connection with the Proposed Transatlantic Acquisition, transaction costs currently estimated at \$55,035 will be incurred and expensed (excluding refinancing fees). In addition, upon termination of the Allied World acquisition agreement, the Allied World Termination Fee will be incurred and expensed. The Allied World Termination Fee is not tax deductible.

As discussed above, these pro forma purchase adjustments are based on certain estimates and assumptions made as of the date of the unaudited condensed consolidated pro forma financial information. The actual adjustments will depend on a number of factors, including the review of Transatlantic's books and records, and changes in the estimated fair value of net balance sheet assets and operating results of Transatlantic between June 30, 2011 and the date of the consummation of the Proposed Transatlantic Acquisition. Validus expects to make such adjustments at such time. These adjustments are likely to be different from the adjustments made to prepare the unaudited condensed consolidated pro forma financial information and such differences may be material.

The share prices for both Validus and Transatlantic used in determining the preliminary estimated purchase price are based on the closing share prices on August 10, 2011. The preliminary total purchase price is calculated as follows:

**Calculation of Total Purchase Price**

Transatlantic shares of common stock outstanding as of June 30, 2011	62,483,787
Exchange ratio	1.5564
Total Validus common shares to be issued	97,249,766
Validus closing share price on August 10, 2011	\$ 24.03
Total value of Validus common shares to be issued	\$ 2,336,912
Total cash consideration paid	\$ 500,000
Total Purchase Price	\$ 2,836,912

The allocation of the purchase price is as follows:

**Allocation of Purchase Price**

Transatlantic stockholders' equity	\$ 4,233,932
Allied termination fee	(115,000)
Mark held-to-maturity investments to market, net of tax	39,592
Less reserve increase, after tax	(325,000)
Transatlantic stockholders' equity, adjusted (B)	\$ 3,833,524
Total purchase price (A)	\$ 2,836,912
Negative goodwill (A-B)	\$ 996,612

(a)

In connection with the Proposed Transatlantic Acquisition, 97,249,766 Validus Shares are expected to be issued for all Transatlantic Shares, Transatlantic Shares issued pursuant to option exercises, and Transatlantic Shares issued following vesting of restricted Transatlantic Shares, restricted share units and performance share units resulting in additional share capital of \$17,019 and additional paid-in capital of \$2,319,893.



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(b) It is expected that total transaction costs currently estimated at \$55,035, the Allied World Termination Fee of \$115,000, and expenses related to bank debt of \$4,375 will be incurred by the consolidated entity. Based on an expected investment return of 2.29% for Validus and 3.70% for Transatlantic per annum, pre-tax investment income of \$5,996 would have been foregone during the year end December 31, 2010 had these payments of \$174,410 been made.

Approximately \$6,500 of the estimated \$55,035 total transaction costs have been incurred and expensed by Transatlantic in the six months ended June 30, 2011. These expenses have been eliminated from the unaudited condensed consolidated pro forma results of operations for the six months ended June 30, 2011. In addition, an adjustment of \$163,535 was made to retained earnings and \$4,375 to other assets as deferred financing fees as at June 30, 2011 to reflect the transaction costs, the Allied World Termination Fee, and the debt refinancing costs. Based on an expected investment return of 1.90% for Validus and 3.60% for Transatlantic per annum, pre tax investment income of \$2,748 would have been foregone during the six months ended June 30, 2011 had these payments of \$167,910 been made.

(c) Employees of Transatlantic hold 2,024,855 options to purchase Transatlantic Shares. The weighted average exercise price of these options is \$63.00. It is expected that no net shares would be issued upon exercise of these options.

On June 30, 2011, the Compensation Committee of the Transatlantic Board approved the form of retention agreements that will be offered to certain executives of Transatlantic, including Steven S. Skalicky, Paul A. Bonny, and Javier E. Vijil, each a named executive officer of Transatlantic. Each of the retention agreements has a term beginning on the date of execution and ending on the earlier of December 31, 2013 or a mutually agreed upon termination date by the executive and Transatlantic. The retention agreements provide for a grant of restricted stock unit awards or phantom stock awards immediately prior to the Proposed Allied World Acquisition (or at a date chosen by the Transatlantic Board in its discretion, if the closing of the Proposed Allied World Acquisition does not occur), pursuant to Transatlantic's 2009 Long Term Equity Incentive Plan (but only in the case of the RSUs), consisting of that number of Transatlantic Shares equal in value to \$1,500,000 for each of Messrs. Skalicky and Vijil and \$2,000,000 for Mr. Bonny.

Validus has estimated that these grants will result in approximately 100,000 Transatlantic share units being issued, or 155,640 Validus share units after adjusting for the exchange ratio of 1.5564. This share issuance has been included in the calculation of pro forma diluted book value per share at June 30, 2011.

(d) Elimination of Transatlantic Shares \$67,847, treasury shares of \$244,722, additional paid-in capital of \$322,925, accumulated other comprehensive income of \$234,984 and retained earnings of \$3,852,898.

(e) A related party balance of \$9,052 for the six months ended June 30, 2011 and \$5,121 for the year ended December 31, 2010 representing reinsurance ceded to Transatlantic by Validus was eliminated from gross premiums written and reinsurance ceded. Corresponding prepaid reinsurance premiums and unearned premiums of \$2,922 and premiums receivable and reinsurance balances payable of \$2,527 have been eliminated from the pro forma balance sheet. Loss reserves recoverable and reserves for losses and loss expenses of \$8,782 and paid losses recoverable and reinsurance balances payable of \$1,763 have also been eliminated from the pro forma balance sheet.

(f) The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic books and records. Therefore, with the exception of note 3(g) below, the carrying value of assets and liabilities in Transatlantic's financial statements are considered to

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be a proxy for fair value of those assets and liabilities, with the difference between the net assets and the total purchase price considered to be negative goodwill. In addition, limited pro forma adjustments, such as recording fair value of assets and liabilities and adjustments for consistency of accounting policy, are reflected in these unaudited condensed consolidated pro forma financial statements. Pursuant to Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805"), a bargain purchase is defined as a business combination in which the total fair value of the identifiable net assets acquired on the date of acquisition exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer. Negative goodwill of \$996,612 has been recorded as a credit to retained earnings as upon completion of the acquisition of Transatlantic shares of common stock negative goodwill will be treated as a gain in the consolidated statement of operations.

(g) Validus is offering to exchange for each outstanding Transatlantic Share that is validly tendered and not properly withdrawn prior to the expiration time of the Exchange Offer, 1.5564 Validus Shares and \$8.00 in cash (less applicable withholding taxes and without interest). This cash consideration is expected to total \$500,000, and will be funded through borrowings under the existing Validus credit facilities and a new facility. Based on an expected interest rate of 3.25% per annum, additional finance expenses of \$16,250 would have been incurred during the year end December 31, 2010 had this credit facility been in place. Based on an expected interest rate of 3.25% per annum, additional finance expenses of \$8,125 would have been incurred during the six months ended June 30, 2011 had this credit facility been in place. The effect of a change in the expected interest rate of one-eighth percent in preparation of these unaudited condensed consolidated pro forma financial statements would result in a change to finance expenses of \$625 for the year ended December 31, 2010 and \$313 for the six months ended June 30, 2011.

Validus is domiciled in Bermuda, and as such is not subject to corporate income tax and does not benefit from a tax deduction for the additional finance expenses disclosed above. If a Proposed Transatlantic Acquisition is structured pursuant to the Merger Offer instead of the Exchange Offer and Second-Step Merger, the \$500,000 consideration payable to Transatlantic stockholders would instead be structured as a one-time special dividend from Transatlantic, paid immediately prior to the closing of the merger. If this dividend were funded through borrowings of Transatlantic at terms comparable to Validus', it would result in an additional pro forma tax benefit of \$5,688 for the year ended December 31, 2010, and revised pro forma consolidated basic earnings per share of \$3.50 and revised pro forma diluted earnings per share of \$3.44. For the six months ended June 30, 2011, it would result in an additional pro forma tax benefit of \$2,844, and revised pro forma consolidated basic loss per share of \$(0.60) and revised pro forma diluted loss per share of \$(0.60). This change would have had no effect on the calculation of book value per share or diluted book value per share.

As noted in its July 12, 2011 letter to the Transatlantic Board, Validus has received a highly confident letter from J.P. Morgan Securities LLC in connection with the arrangement of the full amount of financing required for the Transatlantic special dividend. While the interest rate payable by Transatlantic in connection with this financing could be greater or less than Validus' interest rates with respect to the financing contemplated in connection with the Exchange Offer, any such difference is not expected to be material.

(h) The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic books and records. However, it is expected that an additional reserve of \$500,000 will be required to recognize potential reserve deficiencies on 2001 year and prior business. This adjustment to loss reserves will also result in a current and deferred tax benefit of



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\$175,000, of which \$46,178 is deferred and \$128,822 is current. The net charge to the balance sheet of \$325,000 has been recorded as a debit to retained earnings.

(i)

Transatlantic classifies its fixed maturities as either held to maturity or available for sale, with held to maturity securities carried at amortized cost if Transatlantic has the positive intent and ability to hold each of these securities to maturity. Validus' investments in fixed maturities are classified as trading and carried at fair value, with related net unrealized gains or losses included in earnings. It is expected that Transatlantic's securities will be reclassified as trading upon completion of this transaction. At June 30, 2011, securities with an amortized cost of \$1,187,591 and fair market value \$1,248,501 were classified as held to maturity. Reclassification of these as trading would result in an adjustment of \$60,910 to investments, a credit of \$21,318 to other assets for deferred taxes, and a credit of \$39,592 to retained earnings at June 30, 2011.

In addition, Transatlantic reports unrealized gains and losses from fixed maturities available for sale, equities available for sale and other invested assets, as a separate component of AOCI, net of deferred income taxes, in stockholders' equity. Reclassification of these securities as trading would result in these unrealized gains and losses being reported as components of the income statement. Additional unrealized losses on investments of \$55,537 with a corresponding tax benefit of \$19,438 would have been reported on the income statement during the year ended December 31, 2010 had this reclassification been in place. Additional unrealized gains on investments of \$93,396 with a corresponding tax expenses of \$32,689 would have been reported on the income statement during the six months ended June 30, 2011 had this reclassification been in place.

In addition, other-than-temporary impairments charged to earnings of \$7,972 and \$3,139 in the year ended December 31, 2010 and six months ended June 30, 2011 would have been reallocated to unrealized gains and losses following a reclassification of the securities as trading.

(j)

The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic books and records. Transatlantic does not separately list share compensation expense on its income statement, however disclosure of the amount recorded for the year ended December 31, 2010 was recorded in its notes to the financial statements. This amount of \$35,300 was therefore reclassified as share compensation expense on the income statement. Similar disclosure was not given for the six months ended June 30, 2011, but an estimate of \$17,650 was calculated based on the amount recorded for the year ended December 31, 2010, and was reclassified as share compensation expense on the income statement.

(k)

The share prices of both Validus and Transatlantic used in preparing these unaudited condensed consolidated pro forma financial statements are based on the closing share prices on August 10, 2011, and were \$24.03 and \$49.32, respectively. As of August 18, 2011, the share prices were \$25.71 and \$50.26, respectively. The effect of using the August 18, 2011 closing share prices in preparation of these unaudited condensed consolidated pro forma financial statements would have resulted in an entry to additional paid in capital of \$163,380 reflecting reduced purchase price and an offsetting entry to retained earnings of \$163,380 reflecting additional negative goodwill. Using August 18, 2011 share prices would have had no effect on calculation of book value per share, diluted book value per share, basic earnings per share and diluted earnings per share.

#### **4. Adjustments to Cash and Cash Equivalents**

The acquisition of Transatlantic Shares will result in the payment of cash and cash equivalents by Transatlantic of \$142,035 and by Validus of \$32,375.

The unaudited condensed consolidated pro forma statements of operations reflect the impact of these reductions in cash and cash equivalents. Actual transaction costs may vary from such estimates

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which are based on the best information available at the time the unaudited condensed consolidated pro forma financial information was prepared.

For purposes of presentation in the unaudited condensed consolidated pro forma financial information, the sources and uses of funds of the acquisition are as follows:

**Sources of Funds**

Transatlantic cash and cash equivalents	\$ 142,035
Validus cash and cash equivalents	32,375
Validus credit facility	500,000
Total	\$ 674,410

**Uses of Funds**

Cash consideration	\$ 500,000
Validus transaction costs	28,000
Transatlantic transaction costs	27,035
Refinancing costs for existing Validus debt	4,375
Allied World Termination Fee	115,000
Total	\$ 674,410

**5. Selected Ratios**

Selected ratios of Validus, Transatlantic and pro forma combined are as follows:

	Year Ended December 31, 2010			Six Months Ended June 30, 2011		
	Validus	Transatlantic	Pro forma combined	Validus	Transatlantic	Pro forma combined
Losses and loss expense ratios	56.1%	69.5%	65.2%	79.9%	96.8%	91.6%
Policy acquisition costs ratios	16.6	24.1	21.8	18.2	22.9	21.4
General and administrative cost ratios	13.5	5.4	8.0	15.1	5.0	7.9
Combined ratio	86.2%	99.0%	95.0%	113.2%	124.7%	120.9%

(a) Factors affecting the losses and loss expense ratio for the year ended December 31, 2010:

Validus' losses and loss expense ratio, which is defined as losses and loss expenses divided by net premiums earned, for the year ended December 31, 2010 was 56.1%. The amount of recorded reserves represents management's best estimate of expected losses and loss expenses on premiums earned. Favorable loss reserve development on prior years totaled \$156.6 million. Of this \$70.6 million related to the Validus Re segment and \$86.0 million related to the Talbot segment. This favorable loss reserve development benefited Validus' loss ratio by 8.9 percentage points for the year ended December 31, 2010. For the year ended December 31, 2010, Validus incurred \$536.2 million of notable losses, excluding reserve for potential development on 2010 notable loss events, which represented 30.4 percentage points of the loss ratio. Net of \$21.1 million in reinstatement premiums, the effect of these events on net income was \$515.1 million. Validus' loss ratio, excluding prior year development and notable loss events for the year ended December 31, 2010 was 34.9%.

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The data in the following paragraph is taken from "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Transatlantic 10-K. The data has been reproduced here as it was originally presented.

2010 includes pre-tax net catastrophe costs of \$202.4 million, principally relating to the earthquake in Chile, the earthquake in New Zealand, storms and flooding in Australia and the Deepwater Horizon explosion. Net catastrophe costs in the aggregate added (decreased) 5.2%, (0.1)%, 8.2% and 17.4% to the 2010 combined ratios for consolidated, Domestic, International-Europe and International-Other, respectively. (See Note 10 for the amounts of net catastrophe costs by segment and the amounts of consolidated gross and ceded catastrophe losses incurred and reinstatement premiums. See discussion in Catastrophe Exposure of the magnitude of TRH's catastrophe exposures.) While TRH believes that it has taken appropriate steps to manage its exposure to possible future catastrophe losses, the occurrence of one or more natural or man-made catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses could have a material adverse effect on TRH's results of operations, liquidity or financial condition. Current techniques and models may not accurately predict the probability of catastrophic events in the future and the extent of the resulting losses. Moreover, one or more catastrophe losses could weaken TRH's retrocessionnaires and result in an inability of TRH to collect reinsurance recoverables. In addition, in 2010, TRH decreased its estimates of the ultimate amounts of net losses occurring in 2009 and prior years by \$57.0 million. This net favorable development was comprised of net favorable development of \$216.9 million for losses occurring in 2002 to 2009, partially offset by net adverse development of \$159.9 million relating to losses occurring in 2001 and prior.

Transatlantic's loss ratio, excluding prior year development and notable loss events for the year ended December 31, 2010 was 65.6%.

(b) Factors affecting the losses and loss expense ratio for the six months ended June 30, 2011:

Validus' losses and loss expense ratio, which is defined as losses and loss expenses divided by net premiums earned, for the six months ended June 30, 2011 was 79.9%. For the six months ended June 30, 2011, favorable loss reserve development on prior years totaled \$52.2 million and benefited Validus' loss ratio by 6.1 percentage points. During the six months ended June 30, 2011, Validus recorded losses of \$43.8 million for the Cat 46 tornado, \$31.5 million for the Cat 48 tornado, \$15.0 million for the Jupiter 1 platform failure, \$169.0 million for the Tohoku earthquake, \$52.4 million for the Gryphon Alpha mooring failure, \$62.0 million for the Christchurch earthquake, \$31.0 million for the Brisbane floods and \$19.5 million for the CNRL Horizon explosion. For the six months ended June 30, 2011, Validus incurred \$424.4 million of notable losses, which represented 49.6 percentage points of the loss ratio. Validus' loss ratio, excluding prior year development and notable loss events for the six months ended June 30, 2011 was 36.4%

The data in the following paragraph is taken from "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Transatlantic 10-Q. The data has been reproduced here as it was originally presented.

The second quarter of 2011 included pre-tax net catastrophe costs of \$66.4 million, consisting principally of \$61 million resulting from revised estimates of costs related to the February 2011 earthquake in New Zealand and \$34 million related to severe second quarter 2011 tornado activity in the U.S., partially offset by a (\$23) million reduction in estimated costs related to the March 2011 Tohoku earthquake and resulting tsunami in Japan. The first six months of 2011 included pre-tax net catastrophe costs of \$611.8 million, \$342 million of which is related to the March 2011 Tohoku earthquake and resulting tsunami in Japan, \$182 million of which is related to the February 2011 earthquake in New Zealand and \$55 million of which

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is related to first quarter 2011 flooding in Australia and Cyclone Yasi. Net catastrophe costs in the second quarter and first six months of 2011 include \$2 million and \$6 million, respectively, of estimated net favorable loss reserve development related to catastrophe events occurring in prior years.

Transatlantic's loss ratio, excluding prior year development and notable loss events for the six months ended June 30, 2011 was 66.2%

**6. Earnings per Common Share**

(a) Pro forma earnings per common share for the year ended December 31, 2010 and the six months ended June 30, 2011 have been calculated based on the estimated weighted average number of common shares outstanding on a pro forma basis, as described in 6(b) below. The historical weighted average number of common shares outstanding of Validus was 116,018,364 and 120,630,945 basic and diluted, respectively, for the year ended December 31, 2010 and 98,165,132 and 98,165,132 basic and diluted, respectively, for the six months ended June 30, 2011.

(b) The pro forma weighted average number of common shares outstanding for the year ended December 31, 2010 and six months ended June 30, 2011, after giving effect to the exchange of shares as if the exchange offer had been issued and outstanding for the whole year, is 213,255,252 and 219,172,096, basic and diluted, and 195,414,898 and 195,414,898, basic and diluted, respectively.

(c) In the basic earnings per share calculation, dividends and distributions declared on warrants are deducted from net income. In calculating diluted earnings per share, we consider the application of the treasury stock method and the two-class method and whichever is more dilutive is included into the calculation of diluted earnings per share.

The following table sets forth the computation of basic and diluted earnings per share for the six months ended June 30, 2011:

	<b>Historical Validus Holdings</b>	<b>Pro Forma Consolidated</b>
Net loss available to common shareholders	\$ (66,430)	\$ (120,787)
Weighted average shares basic ordinary shares outstanding	98,165,132	195,414,898
Share equivalents		
Warrants		
Restricted Shares		
Options		
Weighted average shares diluted	98,165,132	195,414,898
Basic loss per share	\$ (0.68)	\$ (0.62)
Diluted loss per share	\$ (0.68)	\$ (0.62)

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The following table sets forth the computation of basic and diluted earnings per share for the year ended December 31, 2010:

	<b>Historical Validus Holdings</b>	<b>Pro Forma Consolidated</b>
Net Income	\$ 402,564	\$ 748,259
Net income available to common shareholders	\$ 395,573	\$ 741,268
<b>Weighted average shares basic ordinary shares outstanding</b>	<b>116,018,364</b>	<b>213,255,252</b>
Share equivalents		
Warrants	2,657,258	2,657,258
Restricted Shares	1,067,042	2,371,305
Options	888,281	888,281
<b>Weighted average shares diluted</b>	<b>120,630,945</b>	<b>219,172,096</b>
Basic earnings per share	\$ 3.41	\$ 3.48
Diluted earnings per share	\$ 3.34	\$ 3.41

### 7. Book Value per Share

Validus calculates diluted book value per share using the "as-if-converted" method, where all proceeds received upon exercise of warrants and stock options would be retained by Validus and the resulting common shares from exercise remain outstanding. In its public records, Transatlantic calculates only book value per share and not diluted book value per share. Accordingly, for the purposes of the Pro Forma Condensed Consolidated Financial Statements and notes thereto, Transatlantic's diluted book value per share has been calculated based on the "as-if-converted" method to be consistent with Validus' calculation.

The following table sets forth the computation of book value and diluted book value per share adjusted for the exchange offer as of June 30, 2011:

	<b>Historical Validus Holdings</b>	<b>Pro Forma Consolidated</b>
<b>Book value per common share calculation</b>		
Total shareholders' equity	\$ 3,408,317	\$ 6,693,306
Shares	98,763,928	196,013,694
Book value per common share	\$ 34.51	\$ 34.15
<b>Diluted book value per common share calculation</b>		
Total shareholders' equity	\$ 3,408,317	\$ 6,693,306
Proceeds of assumed exercise of outstanding warrants	\$ 137,992	\$ 137,992
Proceeds of assumed exercise of outstanding stock options	\$ 45,604	\$ 173,170
Unvested restricted shares		
	\$ 3,591,913	\$ 7,004,468
Shares	98,763,928	196,013,694
Warrants	7,862,262	7,862,262
Options	2,266,801	5,418,285
Unvested restricted shares	3,670,942	6,633,948
	112,563,933	215,928,189
Diluted book value per common share	\$ 31.91	\$ 32.44

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The following table sets forth the computation of debt to total capitalization and debt (excluding debentures payable) to total capitalization at June 30, 2011, adjusted for the Exchange Offer and the Second-Step Merger:

	<b>Historical Validus Holdings</b>	<b>Pro Forma Consolidated</b>
<b>Total debt</b>		
Borrowings drawn under credit facility	\$	\$ 500,000
Senior notes payable	246,928	1,252,713
Debentures payable	289,800	289,800
<b>Total debt</b>	<b>\$ 536,728</b>	<b>\$ 2,042,513</b>
<b>Total capitalization</b>		
Total shareholders' equity	\$ 3,408,317	\$ 6,693,306
Borrowings drawn under credit facility		500,000
Senior notes payable	246,928	1,252,713
Debentures payable	289,800	289,800
<b>Total capitalization</b>	<b>\$ 3,945,045</b>	<b>\$ 8,735,819</b>
Total debt to total capitalization	13.6%	23.4%
Debt (excluding debentures payable) to total capitalization	6.3%	20.1%

## **PROPOSED MERGER AGREEMENT**

The following section contains a summary of the material terms and conditions of the Proposed Merger Agreement. This summary may not contain all of the information about the Proposed Merger Agreement that you, as a shareholder of Validus, may believe is important to you. Validus Shareholders should be aware that the Proposed Merger Agreement reflects a proposal by Validus to Transatlantic made on July 12, 2011, the terms of the Proposed Merger Agreement have not been discussed with Transatlantic, and that the terms of any definitive merger agreement entered into between Validus and Transatlantic may be different than the terms of the Proposed Merger Agreement summarized below. **There are no assurances that Validus and Transatlantic will enter into a definitive agreement relating to a merger, whether reflecting the terms of the Proposed Merger Agreement or otherwise.**

### **Merger Consideration and Pre-Merger Special Dividend**

The Proposed Merger Agreement provides that, on the terms and subject to the conditions set forth in the Proposed Merger Agreement and in accordance with the General Corporation Law of the State of Delaware, at the effective time of the proposed merger, TV Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of Validus, will merge with and into Transatlantic. Transatlantic will be the surviving corporation in the proposed merger and will become a wholly-owned subsidiary of Validus.

Under the Proposed Merger Agreement, Transatlantic stockholders will receive 1.5564 Validus Shares (the "exchange ratio") plus the cash equivalent of any fractional share in the proposed merger and \$8.00 per share in cash pursuant to a one-time pre-merger special dividend from Transatlantic immediately prior to closing of the proposed merger, for each Transatlantic Share they own. The exchange ratio is fixed and will not be adjusted for changes in the market value of Transatlantic Shares or Validus Shares. The aggregate number of Validus Shares issuable will be adjusted appropriately and proportionately 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 Validus Shares or Transatlantic Shares prior to the effective time of the proposed merger.

The Proposed Merger Agreement contemplates that the pre-merger special dividend will be funded by indebtedness incurred by Transatlantic prior to the closing of the merger and the payment of the special dividend. Validus has obtained a highly confident letter from J.P. Morgan in connection with the arrangement of the full amount of financing required by Transatlantic for the Transatlantic pre-merger special dividend.

### **Validus Board of Directors**

The Proposed Merger Agreement contemplates that Validus' board of directors would appoint one or more current directors of Transatlantic to become directors of Validus at the effective time of the merger. Identification of the director or directors would be subject to further discussion between Validus and Transatlantic.

### **Appraisal Rights**

Validus Shareholders will not be entitled to appraisal rights or dissenters' rights in connection with the merger.

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**Conditions to Completion of the Proposed Merger**

Under the Proposed Merger Agreement, the obligations of Validus and Transatlantic to complete the proposed merger are subject to the satisfaction, or to the extent permitted by law, waiver by each of the parties of the following conditions:

approval by the Validus Shareholders of the Share Issuance;

approval by the Transatlantic stockholders of the adoption of the Proposed Merger Agreement;

authorization of the listing of the Validus Shares to be issued in the proposed merger on the NYSE, 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;

obtain any necessary approvals of the applicable insurance regulatory authorities;

all consents and approvals of, and filings with, governmental entities having been made, obtained and in full force other than those that would not reasonably be expected to have a material adverse effect on Validus after giving effect to the proposed merger;

effectiveness of the registration statement for the Validus Shares to be issued in the proposed merger and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose;

absence of any order, injunction, decree, statute, rule or regulation by a court or other governmental entity that makes illegal or prohibits the consummation of the merger or the other transactions contemplated by the Proposed Merger Agreement;

all required actions having been taken such that, immediately following the effective time, each additional Validus board member will be appointed, and entitled to serve, as director of Validus; and

the pre-merger special dividend having been paid to holders of Transatlantic Shares.

In addition, each of Validus' and Transatlantic's obligations to effect the proposed 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 absence of any material adverse effect with respect to such party, such party's shares issued and outstanding or reserved for issuance, the necessary corporate power and authority of such party to execute and deliver the Proposed Merger Agreement, and each party's brokers' and finders' fees, will be true and correct in all respects (without giving effect to any materiality qualifications contained in such representations and warranties) as of the date of the Proposed Merger Agreement and as of the closing date of the proposed merger (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;



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the representations and warranties of each party relating to such party's shares issued and outstanding or reserved for issuance, the necessary corporate power and authority of such party to execute and deliver the Proposed Merger Agreement, and each party's brokers' and finders' fees, will be true and correct in all material respects as of the date of the Proposed Merger Agreement and as of the closing date of the proposed merger (except to the extent such

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representations or warranties were made as of an earlier date, in which case, as of such earlier date);

the representations and warranties of each party relating to the absence of any material adverse effect with respect to such party will be true and correct in all respects as of the date of the Proposed Merger Agreement and as of the closing date of the proposed merger as if made at and as of such date;

each party having performed or complied with, in all material respects, all its material obligations under the Proposed 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 four bullet points; and

receipt of a tax opinion reasonably satisfactory to the other party.

**Termination of the Proposed Merger Agreement**

The Proposed Merger Agreement may be terminated at any time prior to the effective time of the proposed merger, even after the receipt of the required shareholder approvals, under the following circumstances:

by mutual written consent of Validus and Transatlantic;

by either the Validus board of directors or the Transatlantic Board;

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

if the Validus Shareholders fail to approve the Share Issuance;

if the Transatlantic stockholders fail to approve the adoption of the Proposed Merger Agreement proposal at a special meeting of Transatlantic stockholders called for such purposes;

if the merger is not consummated by February 29, 2012, subject to extension by mutual agreement of the parties, provided that no party may terminate the Proposed Merger Agreement if such party's breach of its obligations proximately contributed to the failure to close by February 29, 2012;

by the Validus 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 Validus' obligations to complete the proposed merger would not then be satisfied, unless such failure is reasonably capable of being cured, and Transatlantic is not using its reasonable best efforts to cure such failure, by February 29, 2012;

by the Transatlantic Board upon a breach of any covenant or agreement on the part of Validus, or if any representation or warranty of Validus fails to be true, in either case such that the conditions to Transatlantic's obligations to complete the proposed merger would not then be satisfied, unless such failure is reasonably capable of being cured, and Validus is using its reasonable best efforts to cure such failure, by February 29, 2012;

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

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by the Transatlantic Board if, prior to obtaining the approval of the Validus Shareholders, the Validus board of directors makes an adverse recommendation change.

**Fees and Expenses**

Under the Proposed Merger Agreement, each party will pay all fees and expenses incurred by it in connection with the proposed merger and the other transactions contemplated by the Proposed Merger Agreement, provided, however, that Validus and Transatlantic will share equally all fees and expenses in relation to the printing, filing and distribution of the joint proxy statement/prospectus prepared in connection with the merger 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 Proposed Merger Agreement is validly terminated, the Proposed 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 Proposed Merger Agreement is terminated by Validus 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 Proposed 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 Proposed Merger Agreement or any of the transactions contemplated thereby, up to a maximum amount of \$35 million (the "expense reimbursement"), provided that if the breach is of either party's covenant not to solicit alternative offers or to hold its special stockholder meeting, the non-terminating party will also pay the alternate termination fee (defined below).

Except as set forth below, if the Proposed Merger Agreement is terminated as a result of the Transatlantic stockholders failing to adopt the Proposed Merger Agreement or approve the other transactions contemplated thereby or Validus Shareholders failing to approve the Share Issuance, Validus will pay to Transatlantic, or Transatlantic will pay to Validus, a termination fee of \$35 million (the "alternate termination fee"), plus the expense reimbursement.

Validus will be obligated to pay a termination fee equal to \$115 million (less any previously paid alternate termination fee and/or expense reimbursement) to Transatlantic if:

Transatlantic terminates the Proposed Merger Agreement because, prior to obtaining the approval of the Validus Shareholders, the Validus board of directors makes an adverse recommendation change;

the Proposed Merger Agreement is terminated due to the failure of the Validus Shareholders to approve the Share Issuance and (x) after the date of the Proposed Merger Agreement and prior to the Special Meeting, a third party makes a proposal to Validus or publicly announces its intent to make a proposal to Validus for a competing transaction (or such an intention has otherwise become publicly known) prior to the date of the Special Meeting, and (y) within 12 months after such termination Validus or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its shareholders for adoption, or a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the Proposed Merger Agreement; provided, however, unless the competing transaction referred to in clauses (x) and (y) above was 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%;

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the Proposed Merger Agreement is terminated following the failure to consummate the merger on or before February 29, 2012 and (x) after the date of the Proposed Merger Agreement and prior to the Special Meeting, a third party makes a proposal to Validus or publicly announces its intent to make a proposal to Validus for a competing transaction (or such an intention has otherwise become publicly known) prior to February 29, 2012, (y) the Validus Special Meeting does not occur at least five business days prior to February 29, 2012, and (z) within 12 months after such termination Validus or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its shareholders for adoption, or a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the Proposed Merger Agreement; provided, however, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%; or

Transatlantic terminates the Proposed Merger Agreement following the breach by Validus of any covenant or agreement or any inaccuracy of any of the representations or warranties set forth in the Proposed Merger Agreement and (x) after the date of the Proposed Merger Agreement and prior to the termination of the Proposed Merger Agreement, a third party makes a proposal to Validus or publicly announces its intent to make a proposal to Validus for a competing transaction (or such intention has otherwise become publicly known) prior to the termination date (except in the case of a breach of Validus' covenant not to solicit alternative acquisition proposals or to hold its shareholder 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 Proposed Merger Agreement), and (y) within 12 months after such termination Validus or any of its subsidiaries enters into an agreement providing for a competing transaction or recommends or submits a competing transaction to its shareholders for adoption, or a competing transaction is consummated, whether or not such competing transaction was made, publicly announced or publicly made known prior to termination of the Proposed Merger Agreement; provided, however, any reference to 10% in the definition of competing transaction will be deemed to be a reference to 50%.

Transatlantic will be obligated to pay a termination fee equal to \$115 million (less any previously paid alternate termination fee and/or expense reimbursement) to Validus under similar circumstances relating to Transatlantic and Transatlantic's stockholders.

**Treatment of Transatlantic Stock Options and Other Equity Awards**

*Transatlantic Stock Options*

At the time of the payment of the pre-merger special dividend, each outstanding Transatlantic stock option will be converted into an option to acquire, on the same terms and conditions as were applicable under such Transatlantic stock option prior to payment of the pre-merger special dividend, a number of Transatlantic Shares, rounded down to the nearest whole Transatlantic Share, determined by multiplying the number of Transatlantic Shares subject to such Transatlantic stock option prior to payment of the pre-merger special dividend by the "pre-merger special dividend adjustment ratio" (determined by dividing (x) the last reported sale price of Transatlantic Shares on the NYSE on the business day immediately prior to the consummation of the merger (the "pre-merger special dividend reference price"), by (y) the pre-merger special dividend reference price minus \$8.00), at a per share exercise price, rounded up to the nearest whole cent, determined by dividing the per share exercise price of such Transatlantic stock option by the pre-merger special dividend adjustment ratio.

At the effective time of the proposed merger, each outstanding Transatlantic stock option will be converted into an option to acquire, on the same terms and conditions as were applicable under such

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Transatlantic stock option following the pre-merger special dividend and immediately prior to the effective time, a number of Validus Shares, rounded down to the nearest whole Validus Share, determined by multiplying the number of Transatlantic Shares subject to such Transatlantic stock option following the pre-merger special dividend and immediately prior to the effective time by 1.5564, at a per share exercise price, rounded up to the nearest whole cent, determined by dividing the per share exercise price of such Transatlantic stock option by 1.5564.

*Transatlantic Stock-Based Awards*

At the time of the payment of the pre-merger special dividend, each outstanding Transatlantic stock-based award will be converted into an option to acquire, on the same terms and conditions as were applicable under such Transatlantic stock-based award prior to payment of the pre-merger special dividend, a number of Transatlantic Shares, rounded down to the nearest whole Transatlantic Share, determined by multiplying the number of Transatlantic Shares subject to such Transatlantic stock option prior to payment of the pre-merger special dividend by the pre-merger special dividend adjustment ratio.

At the effective time of the proposed merger, each outstanding Transatlantic stock-based award will be converted into the right to receive, on the same terms and conditions as were applicable under such award following the pre-merger special dividend and immediately prior to the effective time, a number of Validus Shares, rounded down to the nearest whole share, determined by multiplying the number of shares of Transatlantic common stock subject to such Transatlantic stock-based award following the pre-merger special dividend and immediately prior to the effective time by 1.5564.

Prior to the effective time, the Transatlantic Board will adjust the performance goals for, or convert, all converted Transatlantic stock-based awards that vest based on the achievement of performance criteria in the manner mutually agreed to by Transatlantic and Validus to appropriately reflect the proposed merger with respect to performance periods that have not ended prior to the effective time of the proposed merger.

**No Solicitation**

Under the Proposed Merger Agreement, each of Validus and Transatlantic, from the time of the execution of the Proposed Merger Agreement until the earlier of the termination of the Proposed Merger Agreement or the completion of the proposed merger, will not and 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 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.

Under the Proposed Merger Agreement, 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

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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 or ordinary shares or 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, earnings before interest, taxes, depreciation and amortization 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, under the Proposed Merger Agreement, prior to obtaining the relevant shareholder or stockholder approvals, as applicable, the board of directors of each of Validus and Transatlantic is permitted to furnish information with respect to Validus 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. 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 Proposed Merger Agreement) for a merger, amalgamation, consolidation, business combination or other similar transaction involving such party pursuant to which the Validus shareholders or Transatlantic stockholders, as applicable, immediately preceding the transaction would hold less 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 shareholders or 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 Proposed 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 Proposed 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 Proposed Merger Agreement also requires both Validus and Transatlantic to cease, and cause to be terminated, all discussions or negotiations with any person conducted prior to the execution of the Proposed Merger Agreement with respect to any acquisition

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proposal and request the prompt return or destruction of all confidential information previously furnished in connection therewith.

**Changes in Board Recommendations; Adverse Recommendation Change**

Under the Proposed Merger Agreement, neither the board of directors of Validus nor the Transatlantic Board will (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 Proposed Merger Agreement or the transactions contemplated by the Proposed 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 (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 Validus or the Transatlantic Board, 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 Proposed 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 Proposed Merger Agreement, 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 Validus or the Transatlantic Board 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.



**THE EXCHANGE OFFER**

The following section contains a summary of terms of the Exchange Offer that are material to Validus Shareholders. This summary may not contain all of the information about the Exchange Offer that you, as a shareholder of Validus, may believe is important to you. The terms of the Exchange Offer are set forth in full in the Offer to Exchange, which is incorporated herein by reference, and other public filings that Validus has made and may make with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov).

Validus is offering to exchange for each outstanding Transatlantic Share that is validly tendered and not properly withdrawn prior to the expiration time of the exchange offer, 1.5564 Validus Shares and \$8.00 in cash (less applicable withholding taxes and without interest), upon the terms and subject to the conditions contained in the prospectus/offer to exchange filed by Validus with the SEC on July 25, 2011 and the accompanying letter of transmittal (the "Prospectus/Offer to Exchange"). In addition, you will receive cash in lieu of any fractional Validus Share to which you may be entitled.

The term "expiration time of the exchange offer" means 5:00 p.m., Eastern time, on Friday, September 30, 2011, unless Validus extends the period of time for which the exchange offer is open, in which case the term "expiration time of the exchange offer" means the latest time and date on which the exchange offer, as so extended, expires.

The exchange offer is subject to conditions which are described in the section of this Prospectus/Offer to Exchange titled "The Exchange Offer Conditions of the Exchange Offer." Validus expressly reserves the right, subject to the applicable rules and regulations of the SEC, to waive any condition of the exchange offer described herein in its discretion, except for the conditions described under the subheadings "Shareholder Approval Condition," "Registration Statement Condition," "NYSE Listing Condition," "Competition Condition," "New York Department of Insurance Condition," and "Regulatory Condition" in the section of the Prospectus/Offer to Exchange titled "The Exchange Offer Conditions of the Exchange Offer" below, each of which cannot be waived. Validus expressly reserves the right to make any changes to the terms and conditions of the exchange offer (subject to any obligation to extend the exchange offer pursuant to the applicable rules and regulations of the SEC).

Subject to the applicable rules of the SEC and the terms and conditions of the Exchange Offer, Validus also expressly reserves the right (but will not be obligated) (1) to extend, for any reason, the period of time during which the Exchange Offer is open, (2) to delay acceptance for exchange of, or exchange of, Transatlantic Shares in order to comply in whole or in part with applicable law (any such delay shall be effected in compliance with Rule 14e-1(c) under the Exchange Act, which requires Validus to pay the consideration offered or to return Transatlantic Shares deposited by or on behalf of Transatlantic stockholders promptly after the termination or withdrawal of the Exchange Offer), (3) to terminate the Exchange Offer without accepting for exchange, or exchanging, any Transatlantic Shares if any of the conditions have not been satisfied immediately prior to the expiration time of the Exchange Offer; (4) to amend or terminate the Exchange Offer without accepting for exchange or exchanging any Transatlantic Shares if Validus or any of its affiliates enters into a definitive agreement or announces an agreement in principle with Transatlantic providing for a merger or other business combination or transaction with or involving Transatlantic or any of its subsidiaries, or the purchase or exchange of securities or assets of Transatlantic or any of its subsidiaries, or Validus and Transatlantic reach any other agreement or understanding, in either case, pursuant to which it is agreed or provided that the Exchange Offer will be terminated; and (5) to amend the Exchange Offer or to waive any conditions to the Exchange Offer at any time, in each case by giving oral or written notice of such delay, termination, waiver or amendment to the exchange agent and by making public announcement thereof.

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**Conditions of the Exchange Offer**

Notwithstanding any other provision of the Exchange Offer, and in addition to (and not in limitation of) Validus' right to extend and amend the Exchange Offer at any time, in its discretion, Validus shall not be required to accept for exchange any Transatlantic Shares tendered pursuant to the Exchange Offer, shall not be required to make any exchange for Transatlantic Shares accepted for exchange, and may extend, terminate or amend the Exchange Offer, if immediately prior to the expiration time of the Exchange Offer (or substantially concurrently therewith), in the judgment of Validus, any one or more of the following conditions shall not have been satisfied:

***Minimum Tender Condition***

Transatlantic stockholders shall have validly tendered and not withdrawn prior to the expiration time of the exchange offer at least that number of Transatlantic Shares that, when added to the Transatlantic Shares then owned by Validus or any of its subsidiaries, shall constitute a majority of the then-outstanding number of Transatlantic Shares on a fully-diluted basis.

***Allied World Transaction Condition***

The Allied World Acquisition Agreement shall have been validly terminated, and Validus shall reasonably believe that Transatlantic has no liability, and Allied World shall not have asserted any claim of liability or breach against Transatlantic in connection with the Allied World Acquisition Agreement, other than with respect to the possible payment of a maximum of \$115 million in the aggregate in termination fees and reimbursement of permitted Allied World expenses thereunder.

***Registration Statement Condition***

The registration statement of which the prospectus/offer to exchange filed by Validus with the SEC on July 25, 2011 and the accompanying letter of transmittal is a part shall have become effective under the Securities Act, no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC and Validus shall have received all necessary state securities law or "blue sky" authorizations.

***Section 203 Condition***

The Transatlantic Board shall have approved the acquisition of Transatlantic Shares pursuant to the Exchange Offer and Second-Step Merger under Section 203 of the DGCL, or Validus shall be satisfied that Section 203 of the DGCL does not apply to or otherwise restrict such acquisition.

***Rights Agreement Condition***

The Transatlantic Board shall have redeemed the rights issued pursuant to the Rights Agreement, dated as of July 27, 2011, between Transatlantic and American Stock Transfer & Trust Company, LLC, as Rights Agent, or the rights shall have been redeemed or otherwise rendered inapplicable to the Exchange Offer and the Second-Step Merger.

***Shareholder Approval Condition***

The shareholders of Validus shall have approved the issuance of the Validus Shares pursuant to the Exchange Offer and the Second-Step Merger as required under the rules of the NYSE.

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***NYSE Listing Condition***

The Validus Shares to be issued to Transatlantic stockholders as a portion of the Exchange Offer consideration in exchange for Transatlantic Shares in the Exchange Offer and the Second-Step Merger shall have been authorized for listing on the NYSE, subject to official notice of issuance.

***Pending Litigation Condition***

There shall be no pending litigation, suit, claim, action, proceeding, hearing or investigation by or before any foreign, supranational, national, state, provincial, municipal or local government, governmental, regulatory or administrative authority, agency, instrumentality or commission or any court, tribunal or judicial or arbitral body (each of which we refer to as a "governmental authority") (and Validus shall not have disclosed the receipt of written notice from any person stating that such person intends to commence any litigation, suit, claim, action, proceeding or investigation against Validus): (1) challenging or seeking to, or which, in the judgment of Validus is reasonably expected to, make illegal, delay or otherwise, directly or indirectly, restrain or prohibit or in which there are allegations of any violation of law, rule or regulation relating to, the making of or terms of the Exchange Offer or the provisions of the prospectus/offer to exchange and the accompanying letter of transmittal filed by Validus with the SEC on July 25, 2011 or, the acceptance for exchange and exchange of any or all of the Transatlantic Shares by Validus or any other affiliate of Validus or the Second-Step Merger; or (2) seeking to, or which in the judgment of Validus is reasonably expected to, prohibit or limit the full rights of ownership of Transatlantic Shares by Validus or any of its affiliates, including, without limitation, the right to vote any Transatlantic Shares acquired by Validus pursuant to the Exchange Offer or otherwise on all matters properly presented to Transatlantic stockholders.

***No Material Adverse Change Condition***

Since December 31, 2010, there shall not have been any change, state of facts, circumstance or event that has had, or would reasonably be expected to have, a material adverse effect on the financial condition, properties, assets, liabilities, obligations (whether accrued, absolute, contingent or otherwise), businesses or results of operations of Transatlantic and its subsidiaries, taken as a whole, excluding any such change, state of facts, circumstance or event to the extent caused by or resulting from: (1) changes in economic, market, business, regulatory or political conditions generally in the United States or any other jurisdiction in which Transatlantic and its subsidiaries operates or United States or global financial markets; (2) changes, circumstances or events generally affecting the property and casualty insurance and reinsurance industry in the geographic areas in which Transatlantic and its subsidiaries operate; (3) changes, circumstances or events resulting in liabilities under property and casualty insurance and reinsurance agreements to which Transatlantic or any of its subsidiaries is a party, including any effects resulting from any earthquake, hurricane, tornado, windstorm, terrorist act, act of war or other natural or man-made disaster; (4) the commencement, occurrence or continuation of any war or armed hostilities; (5) changes in any applicable law, statute, ordinance, common law, arbitration award, or any rule, regulation, judgment, order, writ, injunction, decree, agency requirement or published interpretation of any governmental authority; (6) changes in generally accepted accounting principles or in statutory accounting principles (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; (7) any change or announcement of a potential change in Transatlantic's or any of its subsidiaries' credit or claims paying rating or A.M. Best rating or the ratings of any of Transatlantic's or its subsidiaries' businesses or securities; (8) suspension in trading or a change in the trading prices or volume of Transatlantic Shares; or (9) the failure to meet any revenue, earnings or other projections, forecasts or predictions for any period ending after the date of the prospectus/offer to exchange, filed by Validus on July 25, 2011 except that (A) in the case of the foregoing clauses (7), (8) and (9), such exceptions shall not prevent or otherwise affect a determination that any changes,

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state of facts, circumstances or events underlying a failure described in any such clause has resulted in, or contributed to, a material adverse effect on Transatlantic and its subsidiaries taken as a whole and (B) in the case of the foregoing clauses (1), (2), (3) and (4), to the extent those changes, state of facts, circumstances or events have a materially disproportionate effect on Transatlantic and its subsidiaries taken as a whole relative to other similarly situated persons in the property and casualty insurance and reinsurance industry in similar geographic areas to those in which Transatlantic and its subsidiaries operate.

***Conduct of Business Condition***

Each of Transatlantic and its subsidiaries shall have carried on their respective businesses in the ordinary course consistent with past practice at all times on or after July 25, 2011 and prior to the expiration time of the Exchange Offer.

***Credit Facilities Condition***

All amendments or waivers under Validus' and its subsidiaries' credit facilities necessary to consummate the Exchange Offer, the Second-Step Merger and the other transactions contemplated by the prospectus/offer to exchange filed by Validus on July 25, 2011 shall have been obtained and be in full force and effect. Validus has obtained amendments to its applicable credit facilities, satisfying this condition to the Exchange Offer.

***New York State Department of Insurance Condition***

The New York State Insurance Department shall have approved Validus' application for acquisition of control of Transatlantic Reinsurance Company and Putnam Reinsurance Company, New York domiciled insurance companies and wholly-owned subsidiaries of Transatlantic, pursuant to Section 1506 of the New York Insurance Code and such approval shall be in full force and effect.

***Competition Condition***

Any applicable waiting period under the HSR Act and, if applicable, any agreement with the United States Federal Trade Commission or the Antitrust Division of the United States Department of Justice not to accept Transatlantic Shares in the Exchange Offer, shall have expired or shall have been terminated prior to the expiration time of the Exchange Offer. On August 17, 2011 at 11:59 p.m. Eastern time, the applicable waiting period under the HSR Act for the acquisition by Validus of Transatlantic Shares pursuant to a Proposed Transatlantic Acquisition expired, satisfying this condition.

***Other Regulatory Approvals Condition***

Any clearance, approval, permit, authorization, waiver, determination, favorable review or consent of any governmental authority, other than in connection with the New York State Department of Insurance Condition and the Competition Condition, shall have been obtained and such approvals shall be in full force and effect, or any applicable waiting periods for such clearances or approvals shall have expired.

The Exchange Offer is subject to additional conditions that are described in the Offer to Exchange, including that Transatlantic stockholders shall not have adopted the Allied World Acquisition Agreement and that there shall have been no business combination consummated between Allied World and Transatlantic.













