

VALIDUS HOLDINGS LTD

Form PRER14A

May 11, 2009

**Table of Contents**

**PRELIMINARY PROXY STATEMENT DATED MAY 11, 2009 SUBJECT TO COMPLETION**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. 2)**

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 Pursuant to § 240.14a-12

**VALIDUS HOLDINGS, LTD.  
(Name of Registrant as Specified in Its Charter)**

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:
- (2) Aggregate number of securities to which transaction applies:
- (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):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Edgar Filing: VALIDUS HOLDINGS LTD - Form PRER14A

- o 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:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

---

**Table of Contents**

**PRELIMINARY PROXY STATEMENT DATED MAY 11, 2009 SUBJECT TO COMPLETION**

**19 Par-La-Ville Road  
Hamilton HM11  
Bermuda**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE , 2009**

May , 2009

Notice is hereby given that a Special Meeting of Shareholders of Validus Holdings, Ltd. will be held at 19 Par-La-Ville Road, Hamilton HM11, Bermuda, on June , 2009, 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 acquisition of all of the outstanding common shares, par value \$0.01 per share, of IPC Holdings, Ltd. pursuant to the Validus Amalgamation Agreement (as defined in the proxy statement on the following pages), the Scheme of Arrangement (as defined in the proxy statement on the following pages), the Exchange Offer (as defined in the proxy statement on the following pages) or otherwise; and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

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

If you are a shareholder of record, please sign, date and return the enclosed proxy 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 Validus 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 , 2009 will be entitled to notice of, and to vote at, the Validus special meeting or any adjournments thereof. See *The Validus Special Meeting* beginning on page 94 in the proxy statement for more information.

By Order of the Board of Directors,

Lorraine Dean  
Secretary

**Table of Contents**

**PRELIMINARY PROXY STATEMENT DATED MAY 11, 2009**

**19 Par-La-Ville Road  
Hamilton HM11  
Bermuda**

**SPECIAL MEETING OF SHAREHOLDERS  
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 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 Validus special meeting) on \_\_\_\_\_, 2009, at \_\_\_\_\_, Atlantic time, at the registered office of Validus, located at 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

Validus shareholders will be asked at the Validus special meeting:

to approve the issuance of Validus Shares (the Share Issuance) in connection with the acquisition (the Acquisition) of all of the outstanding common shares, par value \$0.01 per share (the IPC Shares) of IPC Holdings, Ltd. (IPC), pursuant to the Amalgamation Agreement (as defined below), the Scheme of Arrangement (as defined below), the Exchange Offer (as defined below) or otherwise (the Share Issuance Proposal); and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal (an Adjournment Proposal).

On March 1, 2009, IPC entered into an Agreement and Plan of Amalgamation, as amended on March 5, 2009, among Max Capital Group Ltd. (Max), IPC and IPC Limited (the Max Amalgamation Agreement) which would result in the amalgamation of Max with IPC Limited, a wholly-owned subsidiary of IPC that was formed for the purpose of the amalgamation (the Proposed Max Amalgamation).

On March 31, 2009, Validus announced that it had delivered to IPC an offer (the Validus Amalgamation Offer, ) to acquire each outstanding IPC Share in exchange for 1.2037 Validus Shares. In connection with the Validus Amalgamation Offer, Validus also delivered a copy of the proposed agreement and plan of amalgamation (the Validus Amalgamation Agreement) signed by Validus so that, upon termination of the Max Amalgamation Agreement, IPC would be able to sign the Validus Amalgamation Agreement with the certainty of an agreed transaction. As described in this proxy statement under *The Acquisition Background of the Acquisition*, the board of directors of IPC has determined that the Validus Amalgamation Offer does not constitute a superior proposal to the Proposed Max Amalgamation and Max has not released IPC from the prohibition in the Max Amalgamation Agreement that prevents IPC from even discussing the Validus Amalgamation Offer with Validus. Therefore, in order to consummate the Acquisition without the cooperation of IPC's board of directors, Validus is pursuing a three-part plan.

First, Validus is asking IPC shareholders to vote against the Proposed Max Amalgamation. If the Proposed Max Amalgamation is voted down by IPC shareholders, IPC would be able to terminate the Max Amalgamation Agreement and accept the Validus Amalgamation Offer.

Second, Validus intends to commence in the near future an exchange offer (the Exchange Offer ) for all of the outstanding IPC Shares. The Exchange Offer would allow Validus to complete the Acquisition of IPC shortly following the IPC annual general meeting, if the IPC shareholders vote down the Proposed Max Amalgamation and the other conditions to the Exchange Offer are satisfied. Under the terms of the Exchange Offer, IPC shareholders would receive 1.2037 Validus Shares for each IPC Share. The Exchange Offer will be subject to certain conditions described in the prospectus /offer to exchange included in the Registration Statement on Form S-4 (the Offer to Exchange ) filed by Validus with the SEC, including the tender of at least 90% of the total outstanding IPC Shares (on a fully diluted basis), termination of the Max Amalgamation Agreement, and the consent of Validus lenders. Under Bermuda law, if Validus acquires 90% or more of IPC

**Table of Contents**

Shares in the Exchange Offer, Validus will have the right to acquire the remaining IPC Shares in a second-step acquisition under Bermuda law. The Exchange Offer will not be conditioned on regulatory approvals or the elimination of the possible termination fee to Max.

Third, Validus intends to petition the Supreme Court of Bermuda to approve a scheme of arrangement (the Scheme of Arrangement) under which Validus would acquire all IPC Shares under the same economic terms as in the Validus Amalgamation Offer. The Scheme of Arrangement can be accomplished without the approval of IPC's board of directors if approved by IPC shareholders at two shareholder meetings and sanctioned by the Supreme Court of Bermuda. The first shareholder meeting is a court-ordered meeting (the court-ordered IPC meeting) at which IPC shareholders can vote to approve the Scheme of Arrangement. In addition, if IPC's board of directors continues to be uncooperative despite shareholder approval at the court-ordered IPC meeting, IPC shareholders can call a second meeting (the IPC special general meeting) at which IPC shareholders can require IPC to approve and be bound by the Scheme of Arrangement and to terminate the Max Amalgamation Agreement. Following IPC shareholder approval at both of these meetings, and approval by the Supreme Court of Bermuda, the Scheme of Arrangement would become effective and IPC would become a subsidiary of Validus. The Scheme of Arrangement would be approved with the vote of a majority in number of the holders of IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy, representing 75% or more in value of the IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy. The required vote at the second meeting is an affirmative vote of the holders of a majority of IPC Shares voting at the meeting.

Validus is soliciting proxies from holders of Validus Shares at the Validus special meeting in order to be able to issue the Validus Shares to IPC shareholders in connection with the Acquisition. The Share Issuance will become effective only if it is approved by Validus shareholders and the IPC Shares are exchanged for Validus Shares, pursuant to the Acquisition. The affirmative vote of a majority of the votes cast at the Validus special meeting at which a quorum is present in accordance with Validus' by-laws is required to approve each matter to be acted on at the Validus special meeting, including the Adjournment Proposal.

The Validus Amalgamation Offer, the Exchange Offer and the Scheme of Arrangement are alternative methods for Validus to acquire all of the issued and outstanding IPC Shares on the same economic terms. Ultimately, only one of these transaction structures can be pursued to completion. Validus intends to seek to acquire all IPC Shares by whichever method Validus determines is most effective and efficient.

Assuming closing of the Acquisition, based on Validus' and IPC's capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own approximately 43% of the issued and outstanding common shares of Validus on a fully-diluted basis.

Shareholders of record as of the close of business on \_\_\_\_\_, 2009 will be entitled to vote at the Validus special meeting. As of March 13, 2009, there were 58,849,289 outstanding Validus Shares entitled to vote at the Validus special meeting, and 19,771,422 Validus non-voting common shares. Each Validus Share entitles the holder of record thereof to one vote at the Validus 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' by-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 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).

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

Validus common shares are quoted on the New York Stock Exchange (the NYSE ) under the symbol VR. The closing price of a Validus common share on the NYSE on May 7, 2009, the last practicable date prior to the filing of this proxy statement, was \$22.90. IPC



**Table of Contents**

Shares, which are currently quoted on the NASDAQ Global Select Market ( NASDAQ ) under the symbol IPCR and the Bermuda Stock Exchange under the symbol IPCR BH, would be delisted upon completion of the Acquisition.

The closing price of an IPC Share on NASDAQ on May 7, 2009, the last practicable date prior to the filing of this proxy statement, was \$25.43. All references to dollars and \$ in this proxy statement refer to U.S. dollars.

**Validus board of directors has unanimously adopted the Validus Amalgamation Agreement and authorized and approved the Share Issuance and deems it fair, advisable and in the best interests of Validus and its shareholders to consummate the Share Issuance, the Acquisition and the other transactions contemplated thereby. Validus board of directors recommends that Validus shareholders vote FOR the proposals submitted to Validus shareholders on the attached Validus proxy card. All of the officers and those directors and shareholders who are qualified sponsors (as defined in this proxy statement) and who own Validus Shares have indicated that they intend to vote the Validus Shares owned by them in favor of the Validus Share Issuance Proposal and the Adjournment Proposal. As of March 13, 2009, these persons and entities beneficially owned 42.4% of the voting interests relating to the Validus Shares. All of our officers, directors and qualified sponsors together own 57.4% of the economic interests relating to all outstanding common shares of Validus.**

This proxy statement provides Validus shareholders with detailed information about the Validus special meeting and the Acquisition. You can also obtain information from publicly available documents filed by Validus and IPC with the SEC. **Validus encourages you to read this entire document carefully, including the section entitled *Risk Factors* beginning on page 42.**

Your vote is very important. Whether or not you plan to attend the Validus 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 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.**

**This proxy statement is dated May , 2009  
and is first being mailed to Validus shareholders on or about , 2009**

**Important Notice Regarding the Availability of Proxy Materials for the Validus  
Special Meeting to be Held on June , 2009**

The proxy statement and the related proxy materials are available free of charge on Validus website at  
[www.validusre.bm](http://www.validusre.bm).

**Table of Contents**

**SOURCES OF ADDITIONAL INFORMATION**

This proxy statement includes information, including important business and financial information, also set forth in documents filed by Validus and IPC with the SEC, and those documents include information about Validus and IPC that is not included in or delivered with this proxy statement. You can obtain any of the documents filed by Validus or IPC, 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 at:

Validus Holdings, Ltd.  
19 Par-La-Ville Road  
Hamilton HM11  
Bermuda  
Attention: Jon Levenson  
(441) 278-9000

**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 meeting. This means you must request this information no later than , 2009.** Validus will mail properly requested documents to requesting shareholders by first class mail, or another equally prompt means, within one business day after receipt of such request.

The information concerning IPC, 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 IPC 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 IPC, 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 IPC appearing in its annual report on Form 10-K for the year ended December 31, 2008 (including schedules appearing therein), and IPC management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 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 IPC's independent auditors to incorporate by reference the audit reports relating to this information.

Pursuant to Rule 12b-21 under the Securities Exchange Act of 1934, as amended (the Exchange Act), Validus requested that IPC provide Validus with information required for complete disclosure regarding the businesses, operations, financial condition and management of IPC. Validus will amend or supplement this proxy statement to provide any and all information Validus receives from IPC, if Validus receives the information before the Validus special meeting and Validus considers it to be material, reliable and appropriate.

See *Where You Can Find More Information* on page 104.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE MEETING SUMMARY</u>	9
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VALIDUS</u>	16
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF IPC</u>	24
<u>UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION</u>	28
<u>COMPARATIVE PER SHARE DATA</u>	28
<u>COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION</u>	39
<u>FORWARD-LOOKING STATEMENTS</u>	40
<u>RISK FACTORS</u>	40
<u>Risks Related to the Validus Amalgamation Offer</u>	42
<u>Risks Related to the Acquisition</u>	42
<u>Risks Related to Validus Following the Acquisition</u>	42
<u>Risk Related to IPC's Businesses</u>	43
<u>Risk Related to Validus' Businesses</u>	45
<u>THE ACQUISITION</u>	45
<u>General Description</u>	45
<u>Background of the Acquisition</u>	45
<u>Reasons Why Validus' Board of Directors Recommends Approval of the Share Issuance</u>	47
<u>Litigation</u>	67
<u>Opinion of Validus' Financial Advisor</u>	69
<u>Interests of Validus Directors and Executive Officers in the Acquisition</u>	70
<u>Validus Shareholder Approval of Share Issuance</u>	77
<u>Listing of Validus Shares</u>	78
<u>Dividends and Distributions</u>	78
<u>Anticipated Accounting Treatment</u>	78
<u>Sources of Funds, Fees and Expenses</u>	79
<u>THE AMALGAMATION AGREEMENT</u>	79
<u>Structure of the Amalgamation</u>	80
<u>Closing; Completion of the Amalgamation</u>	80
<u>Amalgamation Consideration</u>	80
<u>Treatment of IPC Share Options and Other IPC Equity Awards</u>	81
<u>Representations and Warranties of the Parties in the Amalgamation Agreement</u>	81
<u>Conduct of Business Pending the Closing of the Amalgamation</u>	83
<u>Existing Credit Facilities</u>	85
<u>Access to Information; Confidentiality</u>	85
<u>Agreements to Use Commercially Reasonable Efforts</u>	85
<u>Restrictions on Change in Recommendation by the Boards of Directors of IPC or Validus</u>	86
<u>Restrictions on Solicitation of Acquisition Proposals by IPC</u>	86
<u>Expenses</u>	87
<u>Directors' and Officers' Insurance and Indemnification</u>	88
<u>Employee Benefits</u>	88
<u>NYSE Listing and NASDAQ Delisting; Reservation for Issuance</u>	88
<u>Dividends</u>	88



**Table of Contents**

	<b>Page</b>
<u>Book Value Calculations</u>	89
<u>Conditions to the Amalgamation</u>	89
<u>Termination of the Amalgamation Agreement</u>	90
<u>Amendments and Waivers Under the Validus Amalgamation Agreement</u>	91
<u>REGULATORY MATTERS</u>	92
<u>INFORMATION ABOUT VALIDUS AND IPC</u>	93
<u>Validus</u>	93
<u>IPC</u>	93
<u>THE VALIDUS SPECIAL MEETING</u>	94
<u>PROPOSALS TO BE SUBMITTED TO VALIDUS SHAREHOLDERS VOTE; VOTING REQUIREMENTS AND RECOMMENDATIONS</u>	97
<u>Proposal 1: Share Issuance</u>	97
<u>Proposal 2: Adjournment Proposal</u>	98
<u>BENEFICIAL OWNERSHIP OF VALIDUS COMMON SHARES</u>	99
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	102
<u>Validus and IPC</u>	104
<u>Validus</u>	104
<u>SOLICITATION OF PROXIES</u>	104
<u>OTHER MATTERS</u>	104
<u>SHAREHOLDER PROPOSALS FOR VALIDUS 2010 ANNUAL GENERAL MEETING</u>	104
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	104
<u>SCHEDULE I INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS OF VALIDUS WHO ARE PARTICIPANTS</u>	107
ANNEX A: AGREEMENT AND PLAN OF AMALGAMATION	
ANNEX B: OPINION OF VALIDUS FINANCIAL ADVISOR ADDRESSED TO VALIDUS BOARD OF DIRECTORS	

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE 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 Validus special meeting?*

A: The Validus special meeting will take place at \_\_\_\_\_, Atlantic Time, on June \_\_\_\_\_, 2009, at 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

*Q: What is the purpose of the Validus special meeting?*

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

the Share Issuance in connection with the Acquisition of all of the outstanding IPC Shares pursuant to the Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise; and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

Even if shareholders approve the Share Issuance, the Share Issuance will take effect only if and when the IPC Shares are exchanged for Validus Shares pursuant to the Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise.

*Q: Why is shareholder approval of the Share Issuance required?*

A: Based upon publicly available information about the number of IPC Shares outstanding and the proposed exchange ratio, Validus expects it would need to issue 67,338,947 Validus Shares in exchange for all outstanding IPC Shares. This number of Validus Shares will be greater than 20% of the total number of Validus Shares outstanding prior to such issuance. 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 (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.

**If the Share Issuance Proposal is approved by Validus shareholders, Validus will be permitted to issue Validus Shares in exchange for IPC Shares, pursuant to the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise. Shareholders are not being asked to vote on the Acquisition and no vote of Validus shareholders is required on such matter.**

*Q: What would happen in the amalgamation?*

A: If the amalgamation is consummated, IPC would amalgamate with Validus Ltd., a direct wholly owned subsidiary of Validus, upon the terms and subject to the conditions set forth in the Validus Amalgamation Agreement. IPC shareholders (including the shareholders that do not vote in favor of the amalgamation but excluding Validus and its subsidiaries) would have the right to receive 1.2037 Validus Shares and cash in lieu of fractional shares in exchange for each IPC Share they hold, unless they exercise appraisal rights pursuant to Bermuda law. Upon the closing of the

amalgamation, the separate corporate existence of Validus Ltd. and IPC would cease and they would continue as an amalgamated company and subsidiary of Validus (the amalgamated company ) and the name of the amalgamated company would be Validus Ltd.

**Table of Contents**

*Q: Why is Validus proposing the Acquisition?*

A: Based on a number of factors described below under *The Acquisition Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance*, Validus board of directors believes that the Acquisition represents a compelling combination and excellent strategic fit that will enable Validus to capitalize on opportunities in the global reinsurance market. The Acquisition would allow IPC shareholders to benefit from the superior growth potential of Validus, which would be a leading carrier in Bermuda's short-tail reinsurance and insurance markets following the Acquisition, with a strong balance sheet and quality diversification in profitable business lines.

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

A: If IPC's board of directors was to enter into the Validus Amalgamation Agreement following the termination of the Max Amalgamation Agreement, Validus believes the amalgamation could be completed in mid-to-late July.

Validus believes that if the conditions of the Exchange Offer are satisfied, it would be able to acquire IPC Shares under the Exchange Offer in June based on the following. If the Exchange Offer is commenced as late as May 15 and held open for 20 business days, it would expire on June 15, 2009. If the conditions to the Exchange Offer are satisfied, Validus will acquire at least 90% of the then-outstanding number of IPC Shares on a fully-diluted basis (excluding any IPC Shares beneficially owned by Validus or its subsidiaries).

Validus believes that, under the Scheme of Arrangement, it would be able to close the Acquisition of IPC as early as mid-July based on the assumptions that: (1) the Supreme Court of Bermuda will be able to accommodate the preferred hearings schedule and meeting dates and other procedural matters; (2) IPC shareholders holding at least one-tenth of the issued shares of IPC have requisitioned a special general meeting to be held in late June or early July to approve and have IPC be bound by the Scheme of Arrangement; and (3) the IPC directors, following the rejection of the Proposed Max Amalgamation, or IPC shareholders, convene the requisitioned special general meeting, allowing it to be held by mid-July.

*Q: What would IPC shareholders receive in the Acquisition?*

A: Under the terms of the Validus Amalgamation Agreement, each outstanding IPC Share (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law, and excluding any shares held by Validus, IPC or any of their respective subsidiaries) would be cancelled and converted into the right to receive 1.2037 Validus Shares upon closing of the amalgamation. Under the terms of the Scheme of Arrangement, each outstanding IPC Share (excluding any IPC Shares beneficially owned by Validus, its subsidiaries or IPC), would be transferred to Validus in exchange for 1.2037 Validus Shares upon effectiveness of the Scheme of Arrangement. Under the terms of the Exchange Offer, each outstanding IPC Share (excluding any IPC Shares beneficially owned by Validus, its subsidiaries or IPC) that is validly tendered and not withdrawn would be exchanged for 1.2037 Validus Shares upon closing of the Exchange Offer.

IPC shareholders would not receive any fractional Validus Shares in the Acquisition. Instead, IPC shareholders would be paid cash in lieu of the fractional share interest to which such shareholders would otherwise be entitled. We refer to the exchange ratio and the cash in lieu of fractional shares as the acquisition consideration.

*Q: What percentage of Validus Shares will the former holders of IPC Shares own after the Acquisition?*

A: Based on Validus' and IPC's capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own



approximately 43% of the issued and outstanding common shares, of Validus on a fully-diluted basis following closing of the Acquisition.

**Table of Contents**

*Q: Would the Validus Amalgamation Agreement signed by IPC be the exact form attached hereto as Annex A?*

A: Validus delivered the Validus Amalgamation Agreement to IPC on March 31, 2009 intending it to be executed in the exact form provided. Since then, in response to IPC's rejection of the Validus Amalgamation Offer, we are proceeding with efforts to move forward with the transaction without IPC's cooperation, including by soliciting your votes to approve the issuance of Validus Shares in connection with the Acquisition. These efforts will necessitate certain updates to the form of Validus Amalgamation Agreement which we believe are not material to Validus or IPC shareholders. We cannot predict what other changes may become necessary due to changed circumstances or as a result of negotiations with IPC should that occur. If any changes are made to the Validus Amalgamation Agreement that Validus believes are material to Validus shareholders, Validus will supplement this proxy statement and, if necessary, resolicit proxies from its shareholders.

*Q: Are Validus shareholders able to exercise appraisal rights?*

A: The Validus shareholders will not be entitled to exercise appraisal rights with respect to any matter to be voted upon at the Validus 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 will be the composition of the board of directors of Validus following the effectiveness of the Acquisition?*

A: Upon the effectiveness of the Acquisition, Validus' board of directors would consist of the directors serving on the board of directors of Validus before the Acquisition; however, Validus has expressed to the IPC directors that if they desire to participate in the leadership of Validus after the Acquisition, Validus would consider that.

*Q: How will Validus be managed after the Acquisition?*

A: Upon closing of the Acquisition, the officers of Validus will be the officers serving Validus before the Acquisition.

*Q: What shareholder vote is required to approve the Share Issuance and the Adjournment Proposal at the Validus special meeting and how many votes must be present to hold the meeting?*

A: The affirmative vote of a majority of the votes cast at the Validus special meeting, at which a quorum is present in accordance with Validus' by-laws, is required to approve each of the Share Issuance Proposal and the Adjournment Proposal. The Share Issuance will become effective only if it is duly approved by Validus shareholders and all of the other conditions to the Acquisition are satisfied or waived and the Acquisition closes. The affirmative vote of a majority of the votes cast at the Validus special meeting is required to approve each other matter to be acted on, including any Adjournment Proposal. As of March 13, 2009, 42.4% of the outstanding Validus Shares were held by entities affiliated with Validus' directors and executive officers.

Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any proposal brought before, the Validus special meeting. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting. For the Validus special meeting, a quorum consists



**Table of Contents**

of two or more shareholders present in person and representing in person or by proxy in excess of 50% of the total issued Validus Shares throughout the meeting.

*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 Acquisition Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance*, unanimously adopted the Validus Amalgamation Agreement and authorized and approved the Share Issuance. Validus board of directors deems it fair, advisable and in the best interests of Validus to enter into the Validus Amalgamation Agreement and to acquire all of the outstanding IPC Shares and to consummate the Share Issuance. **Validus board of directors recommends that Validus shareholders vote FOR the matters submitted on the Validus proxy card.**

*Q: Have any Validus shareholders agreed to support the proposals?*

A: All of the officers and those directors and shareholders who are qualified sponsors (as defined in this proxy statement) and who own Validus Shares have indicated that they intend to vote the Validus Shares owned by them in favor of the Share Issuance Proposal and the Adjournment Proposal. As of March 13, 2009, these persons and entities beneficially owned 42.4% of the voting interests relating to the Validus Shares. All of our officers, directors and qualified sponsors together own 57.4% of the economic interests relating to all outstanding common shares of Validus.

*Q: Will any other matters be voted on at the Validus special meeting?*

A: Validus knows of no specific matter to be brought before the Validus special meeting that is not referred to in the notice of the Validus special meeting. If any such matter comes before the Validus special meeting, the proxy holders will vote proxies in accordance with their judgment.

*Q: What is the record date for the Validus special meeting?*

A: Only shareholders of record, as shown by the transfer books of Validus at the close of business on \_\_\_\_\_, 2009 (the Validus record date) are entitled to receive notice of and to vote at the Validus 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: Shareholders of record as of the close of business on \_\_\_\_\_, 2009 will be entitled to vote at the Validus special meeting. As of March 13, 2009, there were 58,849,289 outstanding Validus Shares entitled to vote at the Validus special meeting, and 19,771,422 non-voting common shares.

*Q: What do I need to do now?*

A: Validus urges you to read carefully this proxy statement, including its annexes, schedules and the documents incorporated by reference herein. You also may want to review the documents referenced under *Where You Can Find More Information* on page 104 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 record) or voting instruction form you receive from your bank, broker or other nominee (if you hold your Validus Shares in street name).



**Table of Contents**

*Q: How can I vote my shares at the Validus special meeting?*

A: If your shares are registered directly in your name as of the record date with our transfer agent, Bank of New York Mellon, 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 shareholders of Validus hold their shares through a bank, broker or other nominee (that is, in street name) rather than directly in their own name. If you hold your 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 obtain a valid proxy from the bank, broker or other nominee that holds your 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 the shares at the meeting. Even if you plan to attend the Validus special meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the Validus special meeting.

*Q: How can I vote my shares without attending the Validus special meeting?*

A: If you are the shareholder of record, you may direct your vote without attending the Validus 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 shares at the Validus special meeting by telephone by calling **866-367-5524** and following the simple recorded instructions, twenty-four hours a day, seven days a week, at any time prior to 11:59 p.m., Eastern Time, on the day prior to the Validus special meeting. Alternatively, as a shareholder of record, you may vote via the Internet at any time prior to 11:59 p.m., Eastern Time, on the day prior to the Validus special meeting by going to <http://proxy.georgeson.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 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 shares held in street name.

*Q: What do I need for admission to the Validus special meeting?*

A: You are entitled to attend the Validus special meeting only if you are (i) a shareholder of record or (ii) a beneficial owner or other person holding a valid proxy from the bank, broker or other nominee that holds your shares (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date). If you are the shareholder of record, your name will be verified against the list of shareholders of record prior to your admittance to the Validus special meeting. You should be prepared to present photo identification for admission. If you hold your shares in street name and would like to be admitted to the meeting, you will need to provide a valid proxy from the bank, broker or other nominee that holds your shares (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date) and proof of beneficial ownership on the record date, such as a brokerage account statement showing that you owned Validus Shares as of the record date, a copy of the voting instruction form provided by your bank, broker or other nominee, or other similar evidence of ownership as of the record date, as well as your photo identification. If you do not comply with the procedures outlined above, you may not be admitted to the Validus special meeting.

*Q: If my shares are held in a brokerage account or in street name, will my broker vote my shares for me?*

A: 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

## **Table of Contents**

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. 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 Validus special meeting. Also, if your bank, broker or other nominee has indicated on the relevant proxy that it does not have discretionary authority to vote such street name shares, your bank, broker or other nominee will not be permitted to vote them. Either of these situations results in a broker non-vote.

A broker non-vote with respect to the Validus special meeting will not be considered as a vote cast with respect to any matter presented at the Validus special meeting, but will be counted for purposes of establishing a quorum, *provided* that your bank, broker or nominee is in attendance in person or by proxy. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting.

Because your bank, broker or other nominee will not have discretionary authority to vote your shares, you must provide your bank, broker or other nominee with instructions on how to vote your shares or arrange to attend the Validus special meeting and vote your shares in person if you want your shares to be voted and to avoid a broker non-vote. If your bank, broker or other nominee holds your shares and you attend the Validus special meeting in person, you should bring a letter from your bank, broker or other nominee identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the meeting.

*Q: What effect do abstentions and broker non-votes have on the proposals?*

A: Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any proposal brought before the Validus special meeting. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting. See also *The Validus Special Meeting – Record Date and Shares Entitled to Vote*.

*Q: How will my shares be voted if I sign and return a proxy card or voting instruction form without specifying how to vote my shares?*

A: If you sign and return a proxy card or voting instruction form without giving specific voting instructions, your 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 discretion with respect to any other matters properly presented for a vote before the Validus 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 Validus 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 19 Par-La-Ville Road, Hamilton, HM11, 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 Validus special meeting and voting in person as described above under the question entitled *How can I vote my shares at the Validus special meeting?* Attendance at the Validus special meeting in and of itself, without voting in person at the Validus special meeting, will not cause your previously



granted proxy to be revoked. For 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 from the bank, broker or other nominee that holds your shares (and who has received a

**Table of Contents**

legal proxy, with a power of subdelegation, from the shareholder of record as of the record date) giving you the right to vote your shares at the Validus special meeting, by attending the Validus special meeting and voting in person.

*Q: Who can I contact with any additional questions?*

If you have additional questions about the Acquisition, if you would like additional copies of this proxy statement, or if you need assistance voting your Validus Shares, you should contact Georgeson Inc. ( Georgeson ) at:

Georgeson Inc.  
199 Water Street, 26th Floor  
New York, New York 10038  
Banks and Brokerage Firms Please Call: (212) 440-9800  
All Others Please Call Toll Free: (888) 274-5146  
E-mail inquiries: validus@georgeson.com

*Q: Where can I find more information about the companies?*

A: You can find more information about Validus and IPC in the documents described under *Where You Can Find More Information* on page 104.

**Table of Contents**

**SUMMARY**

*This summary highlights the material information in this proxy statement. To fully understand Validus' proposals, and for a more complete description of the terms of the amalgamation, 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 Where You Can Find More Information on page 104.*

**Validus (page 93)**

Validus is a Bermuda exempted company with its principal executive offices located at 19 Par-La-Ville Road, Hamilton HM11, 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 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. Validus common shares are traded on the NYSE under the symbol VR and, as of May 7, 2009, the last practicable date prior to the filing of this proxy statement, Validus had a market capitalization of approximately \$1.76 billion. Validus has approximately 280 employees.

As of the date this proxy statement was first mailed to Validus shareholders, Validus was the registered holder of 100 IPC Shares, or less than 1% of the outstanding IPC Shares and Validus was entitled to vote as to all of the IPC Shares it owns.

**IPC (page 93)**

The following description of IPC is taken from the Registration Statement on Form S-4 filed by IPC with the SEC in connection with the Proposed Max Amalgamation (as amended from time to time, the IPC/Max S-4). See *Sources of Additional Information* above.

IPC, a Bermuda exempted company, provides property catastrophe reinsurance and, to a limited extent, property-per-risk excess, aviation (including satellite) and other short-tail reinsurance on a worldwide basis. During 2008, approximately 93% of its gross premiums written, excluding reinstatement premiums, covered property catastrophe reinsurance risks. Property catastrophe reinsurance covers against unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, riots, floods and other man-made or natural disasters. The substantial majority of the reinsurance written by IPCRe, IPC's Bermuda-based property catastrophe reinsurance subsidiary, has been, and continues to be, written on an excess of loss basis for primary insurers rather than reinsurers, and is subject to aggregate limits on exposure to losses. During 2008, IPC had approximately 258 clients from whom it received either annual/deposit or adjustment premiums, including many of the leading insurance companies around the world. In 2008, approximately 36% of those clients were based in the United States, and approximately 53% of gross premiums written, excluding reinstatement premiums, related primarily to U.S. risks. IPC's non-U.S. clients and its non-U.S. covered risks are located principally in Europe, Japan, Australia and New Zealand. During 2008, no single ceding insurer accounted for more than 3.7% of its gross premiums written, excluding reinstatement premiums. At December 31, 2008, IPC had total shareholders' equity of \$1,851 million and total assets of \$2,389 million.

IPC's common shares are quoted on NASDAQ under the ticker symbol IPCR and the Bermuda Stock Exchange under the symbol IPCR BH. IPC's principal executive offices are located at American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda and its telephone number is (441) 298-5100.

**Table of Contents**

**The Validus Special Meeting (page 94)**

The Validus special meeting will be held on June , 2009, at , Atlantic time, at the registered office of Validus, located at 19 Par-La-Ville Road, Hamilton HM11, Bermuda. Validus shareholders will be asked at the Validus special meeting:

to approve the issuance of Validus Shares in connection with the Acquisition of all of the outstanding IPC Shares, pursuant to the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise; and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

You can vote at the Validus special meeting only if you are a shareholder of record, as shown by the transfer books of Validus, at the close of business on , 2009, which is the record date for the Validus special meeting.

**The Acquisition (page 45)**

***General Description (page 45)***

If the Validus Amalgamation Agreement is signed by IPC, and all conditions to the amalgamation have been satisfied or waived, IPC will amalgamate with Validus Ltd., a direct, wholly owned subsidiary of Validus, with the amalgamated company continuing as the surviving company and succeeding to and assuming all of the rights, properties, liabilities and obligations of IPC and Validus Ltd. if the amalgamation is consummated. Upon the closing of the amalgamation, the separate corporate existence of each of IPC and Validus Ltd. will cease and they will continue as an amalgamated company and subsidiary of Validus. The amalgamated company will be named Validus Ltd. IPC shareholders (including the shareholders that do not vote in favor of the amalgamation) would have the right to receive 1.2037 Validus Shares and cash in lieu of fractional shares in exchange for each IPC common share they hold, unless they exercise appraisal rights pursuant to Bermuda law.

If the Scheme of Arrangement becomes effective, Validus will effect the Acquisition of IPC by the transfer of all outstanding IPC Shares (excluding any IPC Shares beneficially owned by Validus or its subsidiaries or IPC) to Validus in exchange for Validus Shares at a ratio of 1.2037 Validus Shares (together with cash in lieu of the fractional Validus Share interest to which such shareholders would otherwise be entitled) for each IPC Share. IPC would thereby become a wholly-owned subsidiary of Validus.

If the Exchange Offer is consummated, each outstanding IPC Share which is validly tendered and not withdrawn before the expiration time of the Exchange Offer will be exchanged for 1.2037 Validus Shares. The Exchange Offer is subject to the condition, among others, that a minimum of 90% of the then outstanding IPC Shares on a fully-diluted basis be tendered (excluding any IPC Shares beneficially owned by Validus, its subsidiaries or IPC). If this condition is satisfied and the Exchange Offer is completed, Validus intends, after completion of the Exchange Offer, to acquire the IPC Shares of those shareholders who choose not to tender their IPC Shares pursuant to the Exchange Offer, in accordance with the Companies Act.

Assuming closing of the Acquisition, based on Validus capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own approximately 43% of the issued and outstanding common shares of Validus on a fully-diluted basis. The Validus Amalgamation Agreement is attached as Annex A to this proxy statement. You should read the Validus Amalgamation Agreement in its entirety because it, and not this proxy statement, is the legal document that would

govern the amalgamation.

**Table of Contents**

***Completing the Acquisition***

On March 31, 2009, Validus announced that it had delivered to IPC the Validus Amalgamation Offer. In connection with the delivery of the Validus Amalgamation Offer to IPC, Validus also delivered a copy of the Validus Amalgamation Agreement signed by Validus so that, upon a termination of the Max Amalgamation Agreement, IPC would be able to sign Validus Amalgamation Agreement with the certainty of an agreed transaction. IPC announced on April 7, 2009 that its board of directors has determined that the Validus Amalgamation Offer does not constitute a superior proposal to the Proposed Max Amalgamation and reaffirmed its support of the Proposed Max Amalgamation. Additionally, Max has not released IPC from the prohibition in the Max Amalgamation Agreement that prevents IPC from even discussing the Validus Amalgamation Offer with Validus. Therefore, in order to consummate the Acquisition without the cooperation of IPC's board of directors, Validus is pursuing a three-part plan.

First, Validus is asking IPC shareholders to vote against the Proposed Max Amalgamation. If the Proposed Max Amalgamation is voted down by IPC shareholders, IPC would be able to terminate the Max Amalgamation Agreement and accept the Validus Amalgamation Offer.

Second, Validus intends to commence in the near future the Exchange Offer for all of the outstanding IPC Shares. The Exchange Offer would allow Validus to complete the Acquisition of IPC shortly following the IPC annual general meeting, if the IPC shareholders vote down the Proposed Max Amalgamation and the other conditions to the Exchange Offer are satisfied. Under the terms of the Exchange Offer, IPC shareholders would receive 1.2037 Validus Shares for each IPC Share. The Exchange Offer will be subject to certain conditions described in the Offer to Exchange filed by Validus with the SEC, including the tender of at least 90% of the total outstanding IPC Shares (on a fully diluted basis), termination of the Max Amalgamation Agreement, and the consent of Validus lenders. Under Bermuda law, if Validus acquires 90% or more of IPC Shares in the Exchange Offer, Validus will have the right to acquire the remaining IPC Shares in a second-step acquisition under Bermuda law. The Exchange Offer will not be conditioned on regulatory approvals or the elimination of the possible termination fee to Max.

Third, Validus intends to petition the Supreme Court of Bermuda to approve the Scheme of Arrangement under which Validus would acquire all IPC Shares under the same economic terms as in the Validus Amalgamation Offer. The Scheme of Arrangement can be accomplished without the approval of IPC's board of directors if approved by IPC shareholders at two shareholder meetings and sanctioned by the Supreme Court of Bermuda. The first shareholder meeting is the court-ordered IPC meeting at which IPC shareholders can vote to approve the Scheme of Arrangement. In addition, if IPC's board of directors continues to be uncooperative despite shareholder approval at the court-ordered IPC meeting, IPC shareholders can call the IPC special general meeting at which IPC shareholders can require IPC to approve and be bound by the Scheme of Arrangement and to terminate the Max Amalgamation Agreement. Following IPC shareholder approval at both of these meetings, and approval by the Supreme Court of Bermuda, the Scheme of Arrangement would become effective and IPC would become a subsidiary of Validus. The Scheme of Arrangement would be approved with the vote of a majority in number of the holders of IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy, representing 75% or more in value of the IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy. The required vote at the second meeting is an affirmative vote of the holders of a majority of IPC Shares voting at the meeting.

The Validus Amalgamation Offer, the Exchange Offer and the Scheme of Arrangement are alternative methods for Validus to acquire all of the issued and outstanding IPC Shares on the same economic terms. Ultimately, only one of these transaction structures can be pursued to completion. Validus intends to seek to acquire all IPC Shares by whichever method Validus determines is most effective and efficient.

***Recommendations of the Validus Board of Directors***

Validus board of directors has adopted the Validus Amalgamation Agreement and authorized and approved the Share Issuance, and deems it fair, advisable and in the best interests of Validus to consummate the Share Issuance, the Acquisition and the other transactions contemplated thereby. Validus board of directors



**Table of Contents**

recommends that Validus shareholders vote FOR the proposals submitted to Validus shareholders on the attached Validus proxy card.

***Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance (page 67)***

Validus board of directors recommends approval of the Share Issuance in order to issue shares that are necessary to effect the Acquisition. Validus board of directors believes that the Acquisition represents a compelling combination and excellent strategic fit that will enable Validus to capitalize on opportunities in the global reinsurance market. The Acquisition would allow IPC shareholders to benefit from the superior growth potential of Validus that would be a leading carrier in Bermuda's short-tail reinsurance and insurance markets, with a strong balance sheet and quality diversification in profitable business lines.

In reaching these conclusions and in determining that the Share Issuance is fair, advisable and in the best interests of Validus, 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. Those factors included, but were not limited to, those set forth under *The Acquisition Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance* below.

***Opinion of Validus Financial Advisor (page 70)***

Validus board of directors received an oral opinion, subsequently confirmed in writing, from Greenhill & Co., LLC, who we refer to as *Greenhill*, that, based upon and subject to the various limitations and assumptions described in the written opinion, as of March 31, 2009, the exchange ratio pursuant to the Validus Amalgamation Agreement was fair, from a financial point of view, to Validus.

The full text of the written opinion of Greenhill, dated March 31, 2009, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the opinion and the review undertaken in connection with rendering the opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. Validus shareholders are urged to read the opinion in its entirety, but should note that it is not a recommendation as to how Validus shareholders should vote with respect to the issuance of Validus Shares pursuant to the Acquisition or any other matter.

***Dividends and Distributions (page 78)***

Each of Validus and IPC regularly pays a quarterly cash dividend. Under the terms of the Validus Amalgamation Agreement, before the amalgamation closes, Validus and IPC would both be permitted to declare and pay ordinary course quarterly dividends on their common shares with record and payment dates consistent with past practice; *provided* that any such dividend is at a rate no greater than the rate it paid during the fiscal quarter immediately preceding the date of the Validus Amalgamation Agreement, *i.e.*, \$0.20 per common share in Validus case and \$0.22 per common share in IPC's case.

Pursuant to the Validus Amalgamation Agreement, Validus and IPC would agree to coordinate the declaration of, and setting of record dates and payment dates for, dividends on Validus common shares and IPC common shares so that the IPC shareholders do not receive dividends on both the IPC common shares and the Validus Shares received in the amalgamation in respect of any calendar quarter or fail to receive a dividend in respect of any calendar quarter.

***Anticipated Accounting Treatment (page 78)***

The Acquisition will be accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141(R), Business Combinations ( *FAS 141(R)* ), under which the total consideration paid in the Acquisition will be allocated among acquired tangible and intangible assets and assumed liabilities based on the fair values of the tangible and intangible assets acquired and liabilities assumed. In the event there is an excess of the total consideration paid in the Acquisition 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 Acquisition will not be amortized but instead

**Table of Contents**

will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that 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 the Acquisition, the excess will be accounted in accordance with FAS 141(R). The excess resulting from the Acquisition will be recognized in earnings as a gain attributable to the acquirer on the acquisition date. 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 in the Acquisition.

**The Amalgamation Agreement (page 79)**

*The Validus Amalgamation Agreement is attached as Annex A to this proxy statement. This description of the Validus Amalgamation Agreement assumes that it is signed by IPC in the form delivered by Validus to IPC. You should read the Validus Amalgamation Agreement in its entirety because it, and not this proxy statement, is the legal document that would govern the amalgamation if it were signed by IPC.*

In response to IPC's rejection of the Validus Amalgamation Offer, Validus is engaging in efforts to move forward with the transaction without IPC's cooperation. These efforts will necessitate certain changes to the Validus Amalgamation Agreement which are not material to Validus or IPC shareholders. For example, the Validus Amalgamation Agreement contemplates Validus and IPC would cooperate in the preparation and filing of a joint proxy statement/prospectus regarding the amalgamation which would have included soliciting the votes we are seeking by this proxy statement. Certain other provisions regarding timing and process would need to be updated similarly.

***Amalgamation Consideration (page 80)***

Under the Validus Amalgamation Agreement, each outstanding IPC Share (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law, and including any shares held by Validus, IPC or any of their respective subsidiaries) will be cancelled and converted into the right to receive 1.2037 Validus Shares upon closing of the amalgamation and cash consideration in lieu of any fractional Validus Shares.

Validus will not issue any fractional Validus Shares in connection with the amalgamation. Instead, any IPC shareholder who would otherwise have been entitled to a fraction of a Validus Share in connection with the amalgamation will be paid an amount in cash determined by multiplying such fraction by the average Validus price (such average Validus common share price is determined by valuing Validus common shares based on the volume weighted average price per Validus common share on the NYSE for the five consecutive trading days immediately preceding the second trading day prior to the closing of the amalgamation).

***Restrictions on Change in Recommendation by the Board of Directors of IPC or Validus (page 86)***