

VALIDUS HOLDINGS LTD
Form S-4
September 20, 2012

As filed with the Securities and Exchange Commission on September 20, 2012

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM S-4
REGISTRATION STATEMENT

Under
THE SECURITIES ACT OF 1933

VALIDUS HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

6331
(Primary Standard Industrial
Classification Code Number)

98-0501001
(I.R.S. Employer
Identification Number)

29 Richmond Road, Pembroke, Bermuda HM 08
(441) 278-9000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert F. Kuzloski, Esq.
Executive Vice President & Chief Corporate Legal Officer
Validus Holdings, Ltd.

29 Richmond Road, Pembroke, Bermuda HM 08
(441) 278-9000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Todd E. Freed, Esq.
Skadden, Arps, Slate, Meagher &
Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

Steven J. Daniels, Esq.
Skadden, Arps, Slate, Meagher &
Flom LLP
One Rodney Square
Wilmington, Delaware 19801
(302) 651-3000

William F. Fawcett, Esq.
General Counsel and
Secretary
Flagstone Reinsurance
Holdings, S.A.
65, Avenue de la Gare
L-1611 Luxembourg
Grand Duchy of Luxembourg
+352 273 515 30

Sarkis Jebejian, Esq.
Eric L. Schiele, Esq.
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the mergers described in the enclosed proxy statement/prospectus.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:
Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee (3)(4)
Common shares, par value \$0.175 per share	14,500,000	N/A	\$486,731,712.83	\$55,779.45

- (1) The maximum number of voting common shares, par value \$0.175 per share, of Validus Holdings, Ltd. (which we refer to as Validus common shares) estimated to be issuable upon the completion of the mergers contemplated by the Agreement and Plan of Merger, dated as of August 30, 2012 (which we refer to as the merger agreement), by and among Validus Holdings, Ltd. (which we refer to as Validus), Flagstone Reinsurance Holdings, S.A. (which we refer to as Flagstone), Validus UPS, Ltd. and Flagstone Reinsurance Holdings (Bermuda) Limited. This number is based on the exchange of Validus common shares for outstanding shares, par value \$0.01 per share, of Flagstone (which we refer to as Flagstone shares) and Flagstone shares expected to be issued in settlement of Flagstone equity awards, in each case, pursuant to the exchange ratio of 0.1935 Validus common shares for each Flagstone share, as set forth in the merger agreement.
- (2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended and the rules thereunder (which we refer to as the Securities Act), and calculated pursuant to Rules 457(f)(1), 457(f)(3) and 457(c) under the Securities Act, the proposed maximum aggregate offering price of Validus common shares was calculated based upon the market value of Flagstone shares (the securities to be cancelled in the mergers) in accordance with Rule 457(c) under the Securities Act as follows: (A) the product of (1) \$8.59, the average of the high and low prices per Flagstone share on September 13, 2012, as quoted on the New York Stock Exchange Composite Tape, multiplied by (2) the estimated maximum number of Flagstone shares which may be cancelled in the mergers contemplated by the merger agreement, less (B) the estimated aggregate amount of cash paid by the registrant in consideration for Flagstone shares (which equals the product of (i) \$2.00 and (ii) the estimated maximum number of Flagstone shares that may be cancelled in the mergers contemplated by the merger agreement).
- (3) Determined in accordance with Section 6(b) of the Securities Act by multiplying the proposed maximum aggregate offering price by 0.00011460.
- (4) Validus previously paid a registration fee of \$388,788.79 upon the filing of the registration statement on Form S-4 initially filed by Validus on July 25, 2011 (Registration No. 333-175774) in connection with its planned acquisition of Transatlantic Holdings, Inc. This transaction was not completed and the shares registered under Registration No. 333-175774 were not issued. Pursuant to Rule 457(p), the full amount of the registration fee currently due for this registration statement has been offset against the balance of the fee paid for Registration No. 333-175774. After such offset, a balance of \$333,009.34 remains from the fee paid for Registration No. 333-175774.

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

The information in this proxy statement/prospectus is not complete and may be changed. The registrant may not complete the mergers described herein and issue the securities described herein until the registration statement filed with the Securities and Exchange Commission (of which this proxy statement/prospectus forms a part) becomes effective. This proxy statement/prospectus is not an offer to sell the securities described herein and Validus Holdings, Ltd. is not soliciting an offer to buy the securities described herein in any state or jurisdiction in which such sale or offer is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED SEPTEMBER 20, 2012

PROPOSED MERGERS YOUR VOTE IS VERY IMPORTANT

To the shareholders of Flagstone Reinsurance Holdings, S.A.:

The board of directors of Flagstone Reinsurance Holdings, S.A. (Flagstone) has approved a merger agreement with Validus Holdings, Ltd. (Validus) pursuant to which Validus will acquire Flagstone. Under the terms of the merger agreement, the acquisition will be completed by means of two mergers. First, Flagstone will become a Bermuda entity through a first-step merger into Flagstone Reinsurance Holdings (Bermuda) Limited (Flagstone Bermuda), a newly-formed subsidiary of Flagstone that is organized in Bermuda. Second, immediately following the first-step merger, Flagstone Bermuda, as the successor-in-interest to Flagstone, will merge through a second-step merger into a newly-formed Validus subsidiary. Following the second-step merger, the successor-in-interest to Flagstone will be wholly owned by Validus.

If the mergers are completed, for each Flagstone share you hold immediately prior to the completion of the mergers, you will have the right to receive 0.1935 common shares of Validus and \$2.00 in cash (less any applicable withholding taxes and without interest), plus cash in lieu of any fractional Validus common share you would otherwise be entitled to receive.

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 , 2012, the most recent practicable date prior to the date of this proxy statement/prospectus, was \$. Flagstone shares, which are currently quoted on the NYSE under the symbol FSR, would be delisted upon completion of the mergers. The closing price of a Flagstone share on the NYSE on , 2012, the most recent practicable date prior to the date of this proxy statement/prospectus, was \$.

Based on the Validus common shares and Flagstone shares outstanding as of , 2012, and the exchange ratio of 0.1935 Validus common shares to be issued for each Flagstone share in the mergers, we anticipate that Validus will issue approximately Validus common shares in the mergers, which will represent, in the aggregate, approximately 11.9% of the issued and outstanding Validus common shares on a pro forma, fully-diluted basis, immediately after the mergers.

We are sending you this proxy statement/prospectus to ask you to attend an extraordinary general meeting of Flagstone shareholders or to vote your Flagstone shares in person or by proxy on a proposal to approve the merger agreement, the first-step merger and the first-step statutory merger agreement and to approve a non-binding,

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

advisory proposal to approve the compensation that may be paid or become payable to Flagstone's named executive officers in connection with, or following the completion of, the mergers.

Flagstone's board of directors has unanimously (1) approved the merger agreement and the transactions contemplated by the merger agreement (including the mergers) and (2) determined that it is in the best interests of Flagstone and its shareholders that Flagstone enter into the merger agreement and that the mergers and the terms thereof, together with the other transactions contemplated by the merger agreement and the first-step statutory merger agreement, are fair to, and in the best interests of, Flagstone and its shareholders. Accordingly, Flagstone's board of directors unanimously recommends that Flagstone shareholders vote FOR the approval of the merger agreement, the first-step merger and the first-step statutory merger agreement. Flagstone's board of directors also unanimously recommends that Flagstone shareholders vote FOR the non-binding advisory proposal to approve the compensation that may be paid or become payable to Flagstone's named executive officers in connection with, or following the completion of, the mergers.

This proxy statement/prospectus provides Flagstone shareholders with detailed information about Flagstone's extraordinary general meeting, the mergers, Validus and Flagstone. You can also obtain information from publicly available documents filed by Validus and Flagstone with the SEC. **Validus and Flagstone encourage you to read this entire document carefully, including the section titled *Risk Factors* beginning on page 23.**

Your vote is very important. Whether or not you plan to attend Flagstone's extraordinary general meeting, please take time to submit your proxy or voting instructions as soon as possible so that your shares may be represented and voted at Flagstone's extraordinary general meeting. I look forward to greeting those of you who are able to attend.

Sincerely,

David A. Brown
Chief Executive Officer
Flagstone Reinsurance Holdings, S.A.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this proxy statement/prospectus, passed upon the merits or fairness of the securities to be issued under this proxy statement/prospectus, or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated , 2012, and is first being sent or mailed to the shareholders of Flagstone on or about , 2012.

Flagstone Reinsurance Holdings, S.A.
65, Avenue de la Gare, 9th Floor
L-1611 Luxembourg
Grand Duchy of Luxembourg
RCS Luxembourg number: B 153.214

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON , 2012

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of shareholders (which we refer to as the extraordinary general meeting) of Flagstone Reinsurance Holdings, S.A. (which we refer to as Flagstone) will be held on , 2012, at at , Grand Duchy of Luxembourg for the following purposes:

Extraordinary Business

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of August 30, 2012 (which we refer to as the merger agreement), among Flagstone, Flagstone Reinsurance Holdings (Bermuda) Limited (which we refer to as Flagstone Bermuda), Validus Holdings, Ltd. (which we refer to as Validus) and Validus UPS, Ltd. (which we refer to as Merger Sub) (a copy of which is attached to the accompanying proxy statement/prospectus as Annex A), the merger of Flagstone with and into Flagstone Bermuda, with Flagstone Bermuda surviving this merger (which we refer to as the first-step merger) and the First-Step Statutory Merger Agreement executed by Flagstone and Flagstone Bermuda on , 2012 and published in the *Mémorial C, Recueil des Sociétés et des Associations* on , 2012 (a form of which is attached as Exhibit A to the merger agreement, and which we refer to as the first-step statutory merger agreement), upon hearing (1) the special merger report of the board of directors of Flagstone pursuant to Article 265 of the Luxembourg law of August 10, 1915 on commercial companies, as amended (which we refer to as the Luxembourg Corporate Law) and (2) the report of the independent expert (*réviseur d entreprise agréé*) pursuant to Article 266 of the Luxembourg Corporate Law (which we refer to collectively as the merger proposal).

Special Business

2. To vote on a non-binding, advisory proposal required under the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Securities Exchange Act of 1934, and the rules thereunder to approve the compensation that may be paid or become payable to Flagstone s named executive officers in connection with, or following the completion of, the first-step merger and the merger of Flagstone Bermuda with and into Merger Sub immediately following the first-step merger (which we refer to collectively as the mergers) (this non-binding, advisory proposal relates only to compensation or other arrangements between Flagstone s named executive officers and Flagstone in existence prior to completion of the mergers that may result in a payment to Flagstone s named executive officers in connection with, or following, the completion of the mergers and does not relate to any new compensation or other arrangements between Flagstone s named executive officers and Validus or, following the mergers, the surviving company in the mergers and its subsidiaries) (which we refer to as the non-binding compensation proposal).

The extraordinary and special business of the extraordinary general meeting set out above is described in more detail in the accompanying proxy statement/prospectus. Flagstone will transact no other business at the extraordinary general meeting except such business as may properly be brought before the extraordinary general meeting or any adjournment, reconvening or postponement thereof.

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

The approval of the merger proposal, which requires the affirmative vote of at least three-fourths of the Flagstone shares present or represented at the extraordinary general meeting, is required for completion of the mergers. The approval of the non-binding compensation proposal, which requires the affirmative vote of at least two-thirds of the Flagstone shares present or represented at the extraordinary general meeting, is not required for completion of the mergers.

Flagstone has fixed the close of business on , 2012 as the record date for the extraordinary general meeting. Only Flagstone shareholders of record as of the close of business on the record date are entitled to receive notice of, and to vote at, the extraordinary general meeting or any adjournment, reconvening or postponement thereof.

Flagstone's board of directors has unanimously (1) approved the merger agreement and the transactions contemplated by the merger agreement (including the mergers) and (2) determined that it is in the best interests of Flagstone and its shareholders that Flagstone enter into the merger agreement and that the mergers and the terms thereof, together with the other transactions contemplated by the merger agreement and the first-step statutory merger agreement, are fair to, and in the best interests of, Flagstone and its shareholders. Accordingly, Flagstone's board of directors unanimously recommends that Flagstone shareholders vote FOR the merger proposal. Flagstone's board of directors also unanimously recommends that Flagstone shareholders vote FOR the non-binding compensation proposal.

Your vote is very important. Whether or not you plan to attend the extraordinary general meeting, we encourage you to read the accompanying proxy statement/prospectus carefully and submit your proxy or voting instructions as soon as possible. If you are a shareholder of record holding your shares directly in your name, you may submit your proxy by signing, dating and returning your proxy card in the enclosed postage-paid envelope or by personal delivery to Flagstone's registered office. This proxy may be revoked by the record holder if the shares are represented in person and voted at the extraordinary general meeting. If you are a beneficial owner holding your shares in street name (through a broker, bank, trustee or other nominee) as of the close of business on the record date, you should submit your voting instructions in accordance with the instructions on the voting instruction form provided to you.

The accompanying proxy statement/prospectus provides a detailed description of the mergers and the merger agreement. We urge you to read the accompanying proxy statement/prospectus, including any documents incorporated by reference, and its Annexes carefully and in their entirety.

The accompanying proxy statement/prospectus, proxy card and notice of extraordinary general meeting will be available from , 2012 at Flagstone's registered office.

By order of the board of directors
of Flagstone Reinsurance Holdings, S.A.

William F. Fawcett
General Counsel and Corporate Secretary
Luxembourg, Grand Duchy of Luxembourg
, 2012

Important Notice Regarding the Availability of Proxy Materials for the Extraordinary General Meeting of Shareholders to be held on , 2012.

**The Notice of Extraordinary General Meeting and the Proxy Statement/Prospectus are available at
[www. http://phx.corporate-ir.net/phoenix.zhtml?c=205986&p=extragenmeeting](http://phx.corporate-ir.net/phoenix.zhtml?c=205986&p=extragenmeeting)**

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about Validus and Flagstone from documents previously filed with the United States Securities and Exchange Commission (which we refer to as the SEC) that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge from the SEC's website at www.sec.gov. You can also obtain the documents that are incorporated by reference in this proxy statement/prospectus from Validus or Flagstone by requesting them in writing or by telephone using the following contact information:

Validus Holdings, Ltd. 29 Richmond Road Pembroke HM 08 Bermuda	or	Flagstone Reinsurance Holdings, S.A. 2nd Floor, Wellesley House 90 Pitts Bay Road, Pembroke HM 08 Bermuda
Attention: Jon Levenson, Executive Vice President (441) 278-9000		Attention: Brenton Slade, Chief Marketing Officer (441) 278 4303

If you would like to request any documents, in order to ensure timely delivery, please do so by , 2012 in order to receive them before the extraordinary general meeting. Validus or Flagstone, as the case may be, will mail properly requested documents to requesting shareholders by first class mail, or another equally prompt means, within one business day after the receipt of such request.

See *Where You Can Find More Information* for more information about the documents referred to in this proxy statement/prospectus.

In addition, if you have questions about the extraordinary general meeting, the merger agreement or the mergers described in this proxy statement/prospectus, you may contact Flagstone's proxy solicitor, Okapi Partners LLC, at 437 Madison Avenue, 28th Floor, New York, NY 10022, call collect at (212) 297-0720 or call toll free at (855) 208-8902.

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

ABOUT THIS PROXY STATEMENT/PROSPECTUS

This proxy statement/prospectus forms a part of a registration statement on Form S-4 (Registration No. 333-) filed by Validus with the SEC. It constitutes a prospectus of Validus under Section 5 of the Securities Act of 1933, as amended, and the rules and regulations thereunder (which we refer to as the Securities Act), with respect to the voting common shares, par value \$0.175 per share, of Validus (which we refer to as the Validus common shares) to be issued to Flagstone shareholders pursuant to the Agreement and Plan of Merger, dated as of August 30, 2012 (which we refer to as the merger agreement), as it may be amended from time to time, by and among Validus, Flagstone, Validus UPS, Ltd. and Flagstone Reinsurance Holdings (Bermuda) Limited, a copy of which is included as Annex A to this proxy statement/prospectus. In addition, it constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (which we refer to as the Exchange Act), and a notice of meeting with respect to the extraordinary general meeting of Flagstone shareholders (which we refer to as the extraordinary general meeting) at which Flagstone shareholders will consider and vote on the merger proposal and the non-binding compensation proposal.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated , 2012. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of the incorporated document containing such information. Neither the mailing of this proxy statement/prospectus to Flagstone shareholders nor the issuance by Validus of Validus common shares pursuant to the merger agreement will create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation.

All references in this proxy statement/prospectus to Validus refer to Validus Holdings, Ltd., a Bermuda exempted company, and/or its consolidated subsidiaries, unless the context requires otherwise; all references in this proxy statement/prospectus to Flagstone refer to Flagstone Reinsurance Holdings, S.A., a Luxembourg joint stock corporation (*société anonyme*), and/or its consolidated subsidiaries, unless the context requires otherwise; all references to Merger Sub refer to Validus UPS, Ltd., a Bermuda exempted company, and a wholly owned subsidiary of Validus; all references to Flagstone Bermuda refer to Flagstone Reinsurance Holdings (Bermuda) Limited, a Bermuda exempted company, both in its capacity as a wholly owned subsidiary of Flagstone and in its capacity as the surviving company in the first-step merger. All references in this proxy statement/prospectus to the mergers refer to the mergers contemplated by the merger agreement, which are (1) the merger of Flagstone with and into Flagstone Bermuda pursuant to which Flagstone Bermuda will survive as a Bermuda exempted company and the successor-in-interest to Flagstone (which we refer to as the first-step merger), and (2) immediately following the first-step merger, the merger of Flagstone Bermuda with and into Merger Sub pursuant to which Merger Sub will be the surviving company and the successor-in-interest to Flagstone (which we refer to as the second-step merger). All references in this proxy statement/prospectus to the first-step statutory merger agreement refer to the first-step statutory merger agreement, which Flagstone expects to file on a Current Report on Form 8-K once it has been executed by Flagstone and Flagstone Bermuda (a form of the first-step statutory merger agreement is attached as Exhibit A to the merger agreement, which is attached as Annex A to this proxy statement/prospectus). All references in this proxy statement/prospectus to Flagstone shares refer to the common shares, par value \$0.01 per share, of Flagstone. Unless otherwise indicated or as the context requires, all references in this proxy statement/prospectus to we, our and us refer to Validus and Flagstone collectively. Also, in this proxy statement/prospectus, \$ refers to U.S. dollars.

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS ABOUT THE EXTRAORDINARY GENERAL MEETING OF FLAGSTONE SHAREHOLDERS</u>	iv
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>Risk Factors</u>	1
<u>The Mergers</u>	2
<u>Merger Consideration</u>	2
<u>The Merger Agreement</u>	2
<u>The Extraordinary General Meeting</u>	2
<u>Recommendation of Flagstone's Board of Directors</u>	3
<u>Opinion of Flagstone's Financial Advisor</u>	3
<u>Voting Agreements</u>	4
<u>Conditions to the Completion of the Mergers</u>	4
<u>Regulatory Approvals</u>	5
<u>Restrictions on Solicitation of Takeover Proposals by Flagstone: Requirement to Submit to Vote</u>	5
<u>Termination of the Merger Agreement</u>	6
<u>Effect of Termination: Termination Fee</u>	6
<u>Treatment of Flagstone Restricted Share Unit Awards and Performance Share Unit Awards</u>	7
<u>Flagstone Notes and Credit Facilities</u>	7
<u>Interests of Flagstone's Directors and Executive Officers in the Mergers</u>	7
<u>Dividends and Distributions</u>	8
<u>Anticipated Accounting Treatment</u>	8
<u>United States Federal Income Tax Consequences</u>	9
<u>Listing of Validus Common Shares to be Issued as Part of the Merger Consideration</u>	10
<u>Comparison of Shareholders' Rights</u>	10
<u>Appraisal Rights and Dissenters' Rights</u>	10
<u>Selected Historical Consolidated Financial Data of Validus</u>	11
<u>Selected Historical Consolidated Financial Data of Flagstone</u>	14
<u>Selected Unaudited Condensed Consolidated Pro Forma Financial Information</u>	16
<u>Comparative Historical and Pro Forma Per Share Data</u>	18
<u>Comparative Market Value and Dividends</u>	21
<u>RISK FACTORS</u>	23
<u>Risk Factors Relating to the Mergers</u>	23
<u>Risk Factors Relating to Flagstone's Business</u>	29
<u>Risk Factors Relating to Validus' Business</u>	29
<u>Risk Factors Relating to Validus Following the Mergers</u>	29
<u>SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS</u>	30
<u>THE COMPANIES</u>	31
<u>THE EXTRAORDINARY GENERAL MEETING</u>	32
<u>Date, Time and Place of the Extraordinary General Meeting</u>	32
<u>Purpose of the Extraordinary General Meeting</u>	32
<u>Recommendation of Flagstone's Board of Directors</u>	32
<u>Number of Shares Outstanding, Record Date and Voting Rights</u>	33
<u>Voting by Flagstone's Directors and Executive Officers</u>	33
<u>Voting Agreements</u>	33
<u>Voting Cutback Under Flagstone's Articles of Incorporation</u>	33
<u>Voting Procedures</u>	34
<u>Voting in Person</u>	35
<u>Submitting Your Proxy</u>	35
<u>Revocability of Proxy</u>	35
<u>Appraisal Rights and Dissenters' Rights</u>	36
<u>Persons Making the Solicitation</u>	36

<u>Assistance</u>	36
<u>THE MERGERS</u>	37
<u>General</u>	37
<u>Background of the Mergers</u>	37
<u>Flagstone's Reasons for the Mergers; Recommendation of Flagstone's Board of Directors</u>	44
<u>Opinion of Flagstone's Financial Advisor</u>	48
<u>Flagstone Financial Analysis</u>	50
<u>Interests of Flagstone's Directors and Executive Officers in the Mergers</u>	59
<u>Validus' Reasons for the Mergers</u>	66
<u>Accounting Treatment</u>	68
<u>Certain Financial Projections</u>	68
<u>Regulatory Approvals</u>	70
<u>Flagstone Notes and Credit Facilities</u>	71
<u>Modification of Validus Credit Facilities</u>	71
<u>Listing of Validus Common Shares</u>	71
<u>Delisting of Flagstone Shares</u>	71
<u>Source and Amount of Funds</u>	71
<u>Dividends and Distributions</u>	71
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	72
<u>MANAGEMENT OF THE ACQUIRING COMPANY FOLLOWING THE MERGERS</u>	72
<u>THE MERGER AGREEMENT</u>	73
<u>Terms of the Mergers</u>	73
<u>Effective Time; Closing of the Mergers</u>	73
<u>Merger Consideration</u>	74
<u>Fractional Shares</u>	74
<u>Exchange Agent</u>	74
<u>Exchange Process</u>	74
<u>Treatment of Flagstone Restricted Share Unit Awards and Performance Share Unit Awards</u>	75
<u>Treatment of the Leyton Limited Warrant</u>	75
<u>Representations and Warranties of Flagstone in the Merger Agreement</u>	76
<u>Representations and Warranties of Validus in the Merger Agreement</u>	77
<u>Conduct of Business</u>	79
<u>No Solicitation; Change in Recommendation</u>	82
<u>Reasonable Best Efforts to Obtain Shareholder Approval</u>	85
<u>Reasonable Best Efforts to Complete the Mergers</u>	85
<u>Indemnification and Insurance</u>	86
<u>Employee Matters</u>	86
<u>Flagstone Indentures and Credit Facilities</u>	87
<u>Book Value Determination</u>	87
<u>Other Covenants and Agreements</u>	87
<u>Conditions to the Completion of the Mergers</u>	88
<u>Termination</u>	90
<u>Effect of Termination; Termination Fee</u>	91
<u>Amendment or Supplement; Waiver</u>	92
<u>No Third Party Beneficiaries</u>	92
<u>Governing Law</u>	92
<u>Specific Performance</u>	93
<u>Fees and Expenses</u>	93
<u>THE VOTING AGREEMENTS</u>	94
<u>Voting</u>	94
<u>Grant of Proxy</u>	94
<u>Termination</u>	95
<u>Transfer Restrictions; Other Proxies</u>	95
<u>Governing Law</u>	95
<u>UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION</u>	96
<u>COMPARISON OF SHAREHOLDERS' RIGHTS</u>	108

<u>Share Capital</u>	108
<u>Shareholders' Equity</u>	108
<u>Organizational Documents</u>	109
<u>Limitation on Voting Rights</u>	109
<u>Preferred Shares</u>	109
<u>Dividends and Distributions of Contributed Surplus</u>	110
<u>Right to Call Special General Meeting</u>	111
<u>Notice of Shareholder Proposals and Nomination of Candidates by Shareholders</u>	112
<u>Shareholder Action by Written Consent</u>	112
<u>Classification of Board of Directors</u>	112
<u>Number of Directors</u>	113
<u>Removal of Directors</u>	113
<u>Vacancies on the Board of Directors</u>	113
<u>Interested Directors</u>	114
<u>Election of Directors</u>	114
<u>Voting Rights and Quorum Requirements</u>	115
<u>Discontinuance or Change of Jurisdiction of Incorporation</u>	116
<u>Duties of Directors and Director Liability</u>	117
<u>Indemnification of Officers, Directors and Employees</u>	118
<u>Shareholders' and Derivative Suits</u>	119
<u>Amendment of Organizational Documents</u>	119
<u>Preemptive Rights</u>	121
<u>Approval of Certain Transactions</u>	121
<u>Inspection of Books and Records; Shareholder Lists</u>	122
<u>Appraisal Rights or Dissenters' Rights</u>	123
<u>Ability to Acquire Shares from Non-Consenting Shareholders</u>	123
<u>UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGERS</u>	126
<u>EXPERTS</u>	136
<u>LEGAL MATTERS/VALIDITY OF SECURITIES</u>	136
<u>OTHER MATTERS</u>	136
<u>SHAREHOLDER PROPOSALS FOR FLAGSTONE'S 2013 ANNUAL GENERAL MEETING</u>	137
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	138
ANNEX A THE MERGER AGREEMENT	
ANNEX B EVERCORE FAIRNESS OPINION	
ANNEX C TRILANTIC VOTING AGREEMENT	
ANNEX D LIGHTYEAR VOTING AGREEMENT	
<u>PART II INFORMATION NOT REQUIRED IN PROSPECTUS; UNDERTAKINGS</u>	

**QUESTIONS AND ANSWERS ABOUT THE EXTRAORDINARY GENERAL MEETING OF
FLAGSTONE SHAREHOLDERS**

The following are some questions that you, as a shareholder of Flagstone, may have regarding the proposals being considered at the extraordinary general meeting and the answers to those questions. Validus and Flagstone urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the proposals being considered at the extraordinary general meeting. Additional important information is also contained in the Annexes to, and the documents incorporated by reference into, this proxy statement/prospectus.

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

A: Flagstone entered into a merger agreement with Validus, Merger Sub and Flagstone Bermuda, dated as of August 30, 2012. Pursuant to the merger agreement, Flagstone will first merge with and into Flagstone Bermuda with Flagstone Bermuda surviving, after which Flagstone Bermuda will merge with and into Merger Sub. As a result, immediately following the mergers, the successor-in-interest to Flagstone will be a wholly owned subsidiary of Validus.

In order to complete the mergers, among other things, Flagstone shareholders must approve the merger agreement (a copy of which is attached to this proxy statement/prospectus as Annex A), the first-step merger and the first-step statutory merger agreement (a form of which is attached as an exhibit to Annex A of this proxy statement/prospectus).

Flagstone will hold an extraordinary general meeting of its shareholders to obtain this approval. This proxy statement/prospectus, including its Annexes, contains and incorporates by reference important information about Validus and Flagstone, the mergers and the extraordinary general meeting. You should read all the available information carefully and in its entirety.

Q: When and where will the extraordinary general meeting be held?

A: Flagstone's extraordinary general meeting of shareholders will be held on , 2012 at at , Grand Duchy of Luxembourg.

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

A: At the extraordinary general meeting, you will be asked to consider and vote on the following proposals:

1. A proposal to approve the merger agreement (a copy of which is attached to this proxy statement/prospectus as Annex A), the first-step merger and the first-step statutory merger agreement (which we refer to as the merger proposal).
2. A non-binding, advisory proposal required by the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Exchange Act to approve the compensation that may be paid or become payable to Flagstone's named executive officers in connection with, or following the completion of, the mergers (this non-binding, advisory proposal relates only to compensation or other arrangements between Flagstone's named executive officers and Flagstone in existence prior to completion of the mergers that may result in a payment to Flagstone's named executive officers in connection with, or following, the completion of the mergers and does not relate to any new compensation or other arrangements between Flagstone's named executive officers and Validus or, following the mergers, the surviving company in the mergers and its subsidiaries) (which we refer to as the non-binding compensation proposal).

The approval of the merger proposal is required for completion of the mergers. The approval of the non-binding compensation proposal is not required for completion of the mergers.

Q: What will happen in the mergers?

A: In the first-step merger, Flagstone will merge with and into Flagstone Bermuda, with Flagstone Bermuda surviving the first-step merger as a Bermuda exempted company. Immediately following the first-step merger, Flagstone Bermuda, as the successor-in-interest to Flagstone, will merge with and into Merger Sub in the second-step merger, with Merger Sub surviving the second-step merger as a Bermuda exempted company. As a result, immediately following the mergers, the successor-in-interest to Flagstone will be a wholly owned subsidiary of Validus.

Q: What will I receive in the mergers?

A: Upon the completion of the mergers, each Flagstone shareholder will have the right to receive 0.1935 Validus common shares and \$2.00 in cash (less any applicable withholding taxes and without interest), plus cash in lieu of any fractional Validus common shares they would otherwise be entitled to receive (which we refer to as the merger consideration) in consideration for each Flagstone share he, she or it holds immediately prior to the mergers. Because the exchange ratio is fixed at 0.1935 Validus common shares for each Flagstone share, the market value of the Validus common shares issued as a portion of the merger consideration will depend upon the market price of Validus common shares at the time the mergers are completed. That price will not be known at the time of the extraordinary general meeting. Based on the closing price of \$ per Validus common share on the NYSE on , 2012, the most recent practicable date prior to the date of this proxy statement/prospectus, the merger consideration per Flagstone share was valued at \$ (consisting of \$2.00 in cash and \$ in Validus common shares). We urge you to obtain current market quotations for Validus common shares and Flagstone shares before voting.

Q: Will I be taxed on the merger consideration I receive?

A: Flagstone and Validus intend for each of the first-step merger and the second-step merger to be treated as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (which we refer to as the Code), and completion of the mergers is conditioned on, among other things, Validus and Flagstone receiving tax opinions to this effect from their respective counsel, Skadden, Arps, Slate, Meagher & Flom LLP and Cravath, Swaine & Moore LLP. Assuming the mergers are so treated, for U.S. federal income tax purposes: (1) a U.S. holder of Flagstone shares, upon the exchange of its Flagstone shares for Flagstone Bermuda common shares in the first-step merger generally will not recognize any gain or loss and (2) a U.S. holder of Flagstone Bermuda common shares, upon the exchange of its Flagstone Bermuda common shares for Validus common shares and cash in the second-step merger, generally will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of cash received by such U.S. holder in the second-step merger (excluding any cash received in lieu of a fractional Validus common share) and (ii) the excess, if any, of (a) the sum of the cash and the fair market value of the Validus common shares received by such U.S. holder (including the fair market value of any fractional Validus common share deemed received), over (b) the U.S. holder's tax basis in the Flagstone Bermuda common shares exchanged pursuant to the second-step merger. Subject to the passive foreign investment company rules or the potential application of Section 1248 of the Code, any gain recognized upon the exchange generally will be capital gain, unless the receipt of cash by a U.S. holder has the effect of the distribution of a dividend for U.S. federal income tax purposes. For more information, see the section of this proxy statement/prospectus titled *United States Federal Income Tax Consequences of the Mergers*.

The tax consequences of the mergers to you will depend upon the facts of your particular circumstances. Because individual circumstances may differ, Validus urges you to consult your own tax advisor as to the specific tax consequences of the mergers to you, including the applicability of U.S. federal, state, local, non-U.S. and other tax laws.

Q: How does Flagstone's board of directors recommend that Flagstone shareholders vote?

A: Flagstone's board of directors has unanimously (1) approved the merger agreement and the transactions contemplated by the merger agreement (including the mergers) and (2) determined that it is in the best interests of Flagstone and its shareholders that Flagstone enter into the merger agreement and that the mergers and the terms thereof, together with the other transactions contemplated by the merger agreement and the first-step statutory merger agreement, are fair to, and in the best interests of, Flagstone and its

shareholders. Accordingly, Flagstone's board of directors unanimously recommends that Flagstone shareholders vote **FOR** both the merger proposal and the non-binding compensation proposal.

Q: What percentage of the outstanding Validus common shares will the former Flagstone shareholders own, in the aggregate, after the mergers?

A: Based on the outstanding Validus common shares and Flagstone shares as of , 2012 and the exchange ratio of 0.1935 Validus common shares to be issued for each Flagstone share in the second-step merger, Validus estimates that former Flagstone shareholders will own, in the aggregate, approximately 11.9% of the issued and outstanding Validus common shares on a pro forma fully-diluted basis immediately following the completion of the mergers. Validus will issue approximately Validus common shares in the second-step merger.

Q: Is Validus' financial condition relevant to my decision to vote in favor of the merger proposal?

A: Yes. Validus' financial condition is relevant to your decision to vote in favor of the merger proposal because the consideration you will receive upon completion of the mergers will consist, in part, of Validus common shares. You should therefore consider Validus' financial condition before you decide to become one of Validus' shareholders through the mergers. You should also consider the likely effect that Validus' acquisition of Flagstone will have on Validus' financial condition. This proxy statement/prospectus contains financial information regarding Validus and Flagstone, as well as pro forma financial information (which does not reflect any of the synergies that the parties expect will result from the mergers) for the acquisition of all of the issued and outstanding Flagstone shares by Validus, all of which we encourage you to review carefully.

Q: Does Validus have the financial resources to complete the mergers?

A: Validus expects to have sufficient cash on hand to complete the transactions contemplated by the merger agreement, including any cash that may be required to pay fees, expenses and other related amounts. Completion of the mergers is not subject to any financing condition or contingency.

Q: What constitutes a quorum at the extraordinary general meeting?

A: Two or more Flagstone shareholders who together hold more than one-half of the total number of Flagstone shares (which includes Flagstone's outstanding and treasury shares) must be present in person or represented by proxy to establish a quorum for the extraordinary general meeting. Abstentions are counted for the purpose of determining the presence of a quorum. If you hold your shares in street name through a broker, bank, trustee or other nominee, broker non-votes (Flagstone shares for which proxies have been returned by a broker, bank, trustee or other nominee indicating that the broker, bank, trustee or other nominee has not received voting instructions from the beneficial owners of the shares and does not have discretionary authority to vote the shares) are not counted for the purpose of determining the presence of a quorum. As a result, whether you hold your shares in street name or directly in your name, failing to submit voting instructions or failing to vote will make it less likely that a quorum at the extraordinary general meeting will be established.

Q: Who is entitled to vote at the extraordinary general meeting?

A: Only holders of record of Flagstone shares as of the close of business on , 2012, the record date fixed by Flagstone's board of directors (which we refer to as the record date), are entitled to notice of, and to vote at the extraordinary general meeting and at any adjournment, reconvening or postponement of the meeting.

Q: What vote is required to approve each proposal?

A: The approval of the merger proposal requires the affirmative vote of at least three-fourths of the shares present in person or represented by proxy at the extraordinary general meeting. The approval of the non-binding compensation proposal requires the affirmative vote of at least two-thirds of the shares present in person or represented by proxy at the extraordinary general meeting.

Q: How do I vote?

A: You may vote either in person at the extraordinary general meeting or by proxy. If your shares are held in street name through a broker, bank, trustee or other nominee, you may vote in person at the extraordinary general meeting only if you obtain a legal proxy from the broker, bank, trustee or other nominee that holds your shares.

Whether you hold shares directly in your name or in street name through a broker, bank, trustee or other nominee, you may direct how your shares are voted without attending the extraordinary general meeting. If you hold your shares directly in your name as of the close of business on the record date, you may submit your proxy by promptly signing, dating and returning your proxy card in the enclosed postage-paid envelope or by personal delivery to the registered office of Flagstone. If your shares are held in street name through a broker, bank, trustee or other nominee as of the close of business on the record date, you should submit your voting instructions in accordance with the instructions on the voting instruction form provided to you. If you hold your shares in street name or directly in your name, failing to submit voting instructions or failing to vote will have no effect on the vote to approve the merger proposal or the non-binding compensation proposal (assuming a quorum is present).

Q: Have any Flagstone shareholders already agreed to vote in favor of the merger proposal?

A: Entities affiliated with Lightyear Capital (which we refer to as Lightyear) and entities affiliated with Trilantic Capital Partners (which we refer to as Trilantic) have entered into voting agreements (which we refer to as voting agreements) pursuant to which those shareholders have agreed to vote all of their respective Flagstone shares (subject to the limitations on voting rights set forth in Section 51A of Flagstone s articles of incorporation, to the extent applicable) in favor of, and to otherwise support, the merger proposal. These entities collectively owned approximately Flagstone shares, or approximately % of the Flagstone shares outstanding, as of the close of business on the record date.

Q: If my shares are held in street name by my broker, bank, trustee or other nominee, will my broker, bank, trustee or other nominee automatically vote my shares for me?

A: No. If you do not provide your broker, bank, trustee or other nominee through which you hold your shares with voting instructions before the extraordinary general meeting, your shares will be counted as broker non-votes, and will have no effect on the vote to approve the merger proposal or the non-binding compensation proposal (assuming a quorum is present).

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

A: Abstaining from voting will have the same effect as voting AGAINST each of the merger proposal and the non-binding compensation proposal. Whether you hold your shares in street name or directly in your name, failing to submit voting instructions or failing to vote will have no effect on the vote to approve the merger proposal or the non-binding compensation proposal (assuming a quorum is present).

Q: If I am a Flagstone shareholder, should I send in my Flagstone share certificates with my proxy card?

A: No. Shortly after the mergers are completed, you will receive a letter of transmittal with instructions informing you how to send in your Flagstone share certificates to the exchange agent in order to receive your merger consideration. You should use the letter of transmittal to exchange your share certificates for the merger consideration to which you are entitled as a result of the mergers. **Please do not send in any share certificates with your proxy card.**

Q: How many votes do I have?

A: Holders of Flagstone shares are entitled to one vote for each Flagstone share that they own as of the close of business on the record date.

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

A: Yes. If your shares are held directly in your name, you may change your vote or revoke your proxy in one of the following three ways at any time before your proxy is voted at the extraordinary general meeting:

timely delivery of written notification to Flagstone's secretary that you are revoking your proxy at Flagstone Reinsurance Holdings, S.A., 65, Avenue de la Gare, 9th Floor, L-1611 Luxembourg, Grand Duchy of Luxembourg;

timely submission of another proxy card with a later date; or

voting in person at the extraordinary general meeting.

If your shares are held in street name through a broker, bank, trustee or other nominee, you must follow the instructions on the voting instruction form provided to you to change or revoke your previously granted proxy.

Q: When do you expect the mergers to be completed?

A: We currently anticipate that the completion of the mergers will occur in the fourth quarter of 2012, following satisfaction or waiver of all conditions to the mergers, including approval of the merger proposal by Flagstone shareholders and the receipt of all regulatory approvals that are required to be obtained under the merger agreement. There can be no assurance, however, that the mergers will be completed on this timetable or at all.

Q: What happens if the mergers are not completed?

A: If the merger proposal is not approved by the required number of Flagstone shareholders or if the mergers are not completed for any other reason, Flagstone shareholders will not receive any merger consideration. Instead, Flagstone shareholders will continue to own their Flagstone shares, Flagstone will remain an independent public company and Flagstone shares will continue to be registered under the Exchange Act and traded on the New York Stock Exchange. If the merger agreement is terminated, under specified circumstances, Flagstone will be required to pay Validus a termination fee of either \$24.16 million or \$6 million depending upon the specific reasons for termination, as described in the sections titled *The Merger Agreement Termination* and *The Merger Agreement Effect of Termination; Termination Fee*.

Q: What happens if I sell my Flagstone shares before the extraordinary general meeting?

A: The record date for the extraordinary general meeting is earlier than both the date of the extraordinary general meeting and the date that the mergers are expected to be completed. If you transfer your shares after the record date but before the extraordinary general meeting, you will retain your right to vote at the extraordinary general meeting, but will have transferred the right to receive the merger consideration upon the completion of the mergers. In order to receive the merger consideration, you must hold your Flagstone shares through the completion of the mergers.

Q: Are Flagstone shareholders entitled to appraisal rights or dissenters' rights?

A: No. Flagstone shareholders are not entitled to any appraisal rights or dissenters' rights in connection with the mergers.

Q: What will be the composition of the board of directors of Validus following the completion of the mergers?

A: Upon the completion of the mergers, Validus' board of directors will not change and will consist of the directors serving on the board of directors of Validus immediately prior to the completion of the mergers.

Q: How will Validus be managed after the mergers?

A: Upon the completion of the mergers, the officers of Validus will be the officers serving Validus immediately prior to the completion of the mergers.

Q: Why am I being asked to cast a non-binding advisory vote to approve compensation that certain Flagstone executive officers may receive in connection with the mergers?

A: In accordance with the rules promulgated under Section 14A of the Exchange Act and the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Flagstone is providing its shareholders with the opportunity to cast a non-binding, advisory vote on the compensation that may be paid or become payable to its named executive officers in connection with, or following the completion of, the mergers as described in the table titled *Potential Change of Control Payments to Named Executive Officers* in the section titled *Interests of Flagstone's Directors and Executive Officers in the Mergers Quantifications of Payments and Benefits*. This non-binding, advisory proposal relates only to compensation or other arrangements between Flagstone's named executive officers and Flagstone in existence prior to completion of the mergers that may result in a payment to Flagstone's named executive officers in connection with, or following, the completion of the mergers and does not relate to any new compensation or other arrangements between Flagstone's named executive officers and Validus or, following the mergers, the surviving company in the mergers and its subsidiaries. Since the vote is advisory in nature only, it will not be binding on Flagstone.

Q: What will happen if Flagstone shareholders do not approve the non-binding compensation proposal at the extraordinary general meeting?

A: Because Flagstone is contractually obligated to pay the compensation (subject to the terms of grants thereunder), and because the vote to approve the non-binding compensation proposal is only advisory in nature, the compensation will be paid if the mergers are completed (subject to the terms of grants thereunder), regardless of the outcome of the advisory vote.

Q: What do I need to do now?

A: Flagstone urges you to read carefully this proxy statement/prospectus, including its Annexes and the documents incorporated by reference into this proxy statement/prospectus. You also may want to review the documents referenced under *Where You Can Find More Information* and consult with your accounting, legal and tax advisors. Once you have considered all relevant information, Flagstone encourages you to fill in and return the accompanying proxy card (if you are a shareholder of record) or the voting instruction form you receive from your broker, bank, trustee or other nominee (if you hold your shares in street name through a broker, bank, trustee or other nominee).

Q: Who can help answer my questions?

A: If you need assistance in submitting your proxy or voting your shares or need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact Okapi Partners LLC at 437 Madison Avenue, 28th Floor, New York, NY 10022, call collect at (212) 297-0720 or call toll-free at (855) 208-8902. If your broker, bank, trustee or other nominee holds your shares, you can also call your broker, bank, trustee or other nominee for additional information.

Q: Where can I find more information about Validus and Flagstone?

A: You can find more information about Validus and Flagstone from various sources described in the section of this proxy statement/prospectus titled *Where You Can Find More Information*.

SUMMARY

This summary highlights the material information in this proxy statement/prospectus. To more fully understand the merger agreement, and for a more complete description of the terms of the mergers, you should read carefully this entire document, including the Annexes, exhibits 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, please see the section of this proxy statement/prospectus titled *Where You Can Find More Information*.

The Companies (page 31)

Validus Holdings, Ltd.

Validus Holdings, Ltd. 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. and Talbot Holdings Ltd. Validus Reinsurance Ltd. is a Bermuda based reinsurer focused on short-tail lines of reinsurance. Talbot Holdings Ltd. is the Bermuda parent of the specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183. At June 30, 2012, Validus had total shareholders' equity of approximately \$3.5 billion and total assets of approximately \$8.5 billion. Validus common shares are listed on the NYSE under the ticker symbol *VR* and, as of , 2012, the most recent practicable date prior to the date of this proxy statement/prospectus, Validus had a market capitalization of approximately \$ billion. Validus has approximately 490 employees.

Validus UPS, Ltd.

Validus UPS, Ltd. was formed as a Bermuda exempted company on August 28, 2012. Merger Sub's principal executive offices are located at 29 Richmond Road, Pembroke, Bermuda HM 08. The telephone number of Merger Sub is (441) 278-9000. Merger Sub is a wholly owned subsidiary of Validus that was formed for the sole purpose of completing the second-step merger. Merger Sub has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and those incurred in connection with the merger agreement and the second-step merger.

Flagstone Reinsurance Holdings, S.A.

Flagstone Reinsurance Holdings, S.A., through its operating subsidiaries, is a global reinsurance company that employs a focused and technical approach to the property catastrophe, property, and specialty reinsurance businesses. Flagstone is traded on the New York Stock Exchange under the symbol *FSR*. Flagstone's principal executive offices are located at 65, Avenue de la Gare, L-1611 Luxembourg, Grand Duchy of Luxembourg. The telephone number of Flagstone is +352 273 515 30.

Flagstone Reinsurance Holdings (Bermuda) Limited

Flagstone Reinsurance Holdings (Bermuda) Limited is a Bermuda exempted company and a direct wholly owned subsidiary of Flagstone. Flagstone Bermuda was incorporated on May 10, 2012, solely for the purpose of effecting the mergers contemplated by the merger agreement. It has not carried on any activities other than in connection with the mergers. Flagstone Bermuda's principal executive offices are located at 2nd Floor, Wellesley House, 90 Pitts Bay Road, Pembroke, Bermuda HM 08. The telephone number of Flagstone Bermuda is (441) 278-4300.

Risk Factors (page 23)

You should carefully consider the risks described in the section of this proxy statement/prospectus titled *Risk Factors* before deciding whether to vote for approval of the merger proposal. These risks include:

risks relating to the mergers;

risks relating to Flagstone's business;

risks relating to Validus' business; and

risks relating to Validus following the completion of the mergers.

The Mergers (page 37)

In the first-step merger, Flagstone will merge with and into Flagstone Bermuda, with Flagstone Bermuda surviving as a Bermuda exempted company and the successor-in-interest to Flagstone. Immediately following the first-step merger, Flagstone Bermuda will merge with and into Merger Sub in the second-step merger, with Merger Sub surviving the second-step merger as a Bermuda exempted company. As a result, immediately following the mergers, the successor-in-interest to Flagstone will be a wholly owned subsidiary of Validus.

Merger Consideration (page 74)

As a result of the mergers, in consideration for each Flagstone share they hold immediately prior to the mergers, Flagstone shareholders will have the right to receive 0.1935 Validus common shares and \$2.00 in cash (less any applicable withholding taxes and without interest), plus cash in lieu of any fractional Validus common shares they would otherwise be entitled to receive.

The Merger Agreement (page 73)

A copy of the merger agreement, which is incorporated by reference herein in its entirety, is attached to this proxy statement/prospectus as Annex A. We encourage you to read carefully the merger agreement in its entirety. For more information on the merger agreement, see the section of this proxy statement/prospectus titled *The Merger Agreement*.

The Extraordinary General Meeting (page 32)

Date, Time and Place of the Extraordinary General Meeting (page 32)

The extraordinary general meeting of Flagstone shareholders will be held on , 2012 at at , Grand Duchy of Luxembourg.

Purpose of the Extraordinary General Meeting (page 32)

At the extraordinary general meeting, Flagstone shareholders will be asked to consider and vote on:

the merger proposal, which is a proposal to approve the merger agreement, the first-step merger and the first-step statutory merger agreement; and

the non-binding compensation proposal, which is a non-binding, advisory proposal to approve the compensation that may be paid or become payable to Flagstone's named executive officers in connection with, or following, the completion of the mergers.

The approval of the merger proposal is required for completion of the mergers. The approval of the non-binding compensation proposal is not required for completion of the mergers.

Record Date and Voting Rights (page 33)

Only holders of record of Flagstone shares as of the close of business on , 2012, the record date for the extraordinary general meeting, are entitled to notice of, and to vote at, the extraordinary general meeting or any adjournment, reconvening or postponement thereof.

Voting by Flagstone's Directors and Executive Officers (page 33)

As of the close of business on the record date, approximately % of Flagstone shares were issued and outstanding, approximately % of which were held and entitled to be voted by Flagstone's directors, executive officers and their affiliates. Entities affiliated with Lightyear and Trilantic have agreed to vote their combined holdings of Flagstone shares (subject to the limitations on voting rights set forth in Section 51A of Flagstone's articles of incorporation, to the extent applicable) (representing approximately % of the issued and outstanding Flagstone shares) in favor of the merger proposal. Flagstone currently expects that Flagstone's directors and executive officers will vote their shares in favor of each of the merger proposal and the non-binding compensation proposal.

Voting Procedures (page 34)

The approval of the merger proposal requires the affirmative vote of at least three-fourths of the Flagstone shares present or represented by proxy at the extraordinary general meeting. The approval of the non-binding compensation proposal requires the affirmative vote of at least two-thirds of the Flagstone shares present or represented by proxy at the extraordinary general meeting. If the required quorum of two or more Flagstone shareholders who together hold more than one-half of the total number of outstanding Flagstone shares is not present at the extraordinary general meeting, the meeting will be dissolved, and a second meeting may be called. In any case, Flagstone's board of directors may adjourn the extraordinary general meeting for four weeks, and must adjourn the meeting for four weeks if Flagstone shareholders representing 20% or more of the total issued and outstanding Flagstone shares direct Flagstone's board of directors to do so.

Recommendation of Flagstone's Board of Directors (page 32)

Flagstone's board of directors has unanimously (1) approved the merger agreement and the transactions contemplated by the merger agreement (including the mergers) and (2) determined that it is in the best interests of Flagstone and its shareholders that Flagstone enter into the merger agreement and that the mergers and the terms thereof, together with the other transactions contemplated by the merger agreement and the first-step statutory merger agreement, are fair to, and in the best interests of, Flagstone and its shareholders. **Accordingly, Flagstone's board of directors unanimously recommends that Flagstone shareholders vote FOR the merger proposal. Flagstone's board of directors also unanimously recommends that Flagstone shareholders vote FOR the non-binding compensation proposal.**

For more information regarding the factors considered by Flagstone's board of directors in reaching its decision to approve and authorize the merger agreement, see the section titled *The Mergers Flagstone's Reasons for the Mergers; Recommendation of Flagstone's Board of Directors*.

Opinion of Flagstone's Financial Advisor (page 48)

Flagstone's board of directors received an opinion, dated August 29, 2012, from Evercore Group, L.L.C. (which we refer to as Evercore) to the effect that, as of that date and based upon and subject to assumptions made, matters considered and limitations on the scope of review undertaken by Evercore as set forth in its opinion, the merger consideration to be received by holders of Flagstone shares pursuant to the mergers was fair, from a financial point of view, to such holders. The full text of Evercore's written opinion, which sets forth, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached to this proxy statement/prospectus as Annex B. Evercore's opinion was directed to Flagstone's board of directors and addresses only the fairness, from a financial point of view, of the consideration to be received by holders of Flagstone shares. The opinion does not address any other aspect of the proposed transaction and does not constitute a recommendation to Flagstone's board of directors or to any other persons in respect of the proposed transaction, including to any Flagstone shareholder as to how they should vote or act in respect of the proposed transaction.

Voting Agreements (page 94)

As an inducement for Validus to enter into the merger agreement, Validus entered into voting agreements with entities affiliated with each of Lightyear and Trilantic. Pursuant to the voting agreements, each shareholder party has agreed to vote all of its Flagstone shares (subject to the limitations on voting rights set forth in Section 51A of Flagstone's articles of incorporation, to the extent applicable):

in favor of approval of the merger proposal;

against any competing proposal for Flagstone;

against any amendment to Flagstone's articles of incorporation or other proposal or transaction involving Flagstone or any of its subsidiaries, in each case, that would reasonably be expected to materially impede, interfere with, delay, postpone or adversely affect in any manner the mergers or change, in any manner, the voting rights of any class of Flagstone's share capital; and

at Validus' request, subject to certain limitations, in favor of any proposal that Flagstone's board of directors has determined is reasonably necessary to facilitate the acquisition of Flagstone by Validus in accordance with the terms of the merger agreement.

In addition, each shareholder party to the voting agreements has agreed to vote against any competing proposal for Flagstone for a tail period of 90 days following termination of the merger agreement under certain circumstances. As of the close of business on , 2012, the record date for the extraordinary general meeting, the shareholders party to the voting agreements owned or controlled in the aggregate approximately Flagstone shares, which represented approximately % of the outstanding Flagstone shares at that time.

For a more detailed description of the voting agreements, see the section of this proxy statement/prospectus titled *The Voting Agreements*. Copies of the voting agreements are also attached to this proxy statement/prospectus as Annexes C and D, respectively. We encourage you to read carefully the voting agreements in their entirety.

Conditions to the Completion of the Mergers (page 88)

Completion of the mergers is subject to certain customary conditions, including, without limitation:

approval of the merger proposal by Flagstone's shareholders;

the receipt of required approvals from governmental and regulatory authorities, including the Florida Office of Insurance Regulation, the Registrar of Short-Term Insurance in South Africa, the Bermuda Monetary Authority, the Swiss Financial Market Supervisory Authority (FINMA), and the competition authorities in Norway, South Africa and Turkey;

if required, the receipt of approvals from the Financial Services Authority (FSA) in the United Kingdom and the Luxembourg *Commission de Surveillance du Secteur Financier*;

the absence of any law, regulation, order or injunction prohibiting the mergers;

the Validus shares to be issued in the second-step merger having been approved for listing on the NYSE, subject to official notice of issuance;

the registration statement (of which this proxy statement/prospectus forms a part) having been declared effective by the SEC under the Securities Act;

the accuracy of the representations and warranties made by the parties in the merger agreement (subject to Material Adverse Effect and other standards, as applicable);

the performance or compliance in all material respects by the parties of their respective obligations under the merger agreement;

the absence of a Material Adverse Effect on Validus or Flagstone, as applicable;

if triggered by either party, that the other party's book value as of a specified measurement date following the satisfaction of certain conditions to the merger agreement being equal to or greater than 50% of its book value as of December 31, 2011, and on a percentage basis, the decline in such party's book value between December 31, 2011 and the measurement date (if any) being not more than 20% greater than the decline (if any) on a percentage basis during such period of the book value of the other party; and

the receipt by each company of legal opinions regarding the qualification of the mergers as a tax-free reorganization for United States income tax purposes.

Completion of the mergers is not subject to any financing condition or contingency.

At any time prior to the completion of the mergers, the parties may, to the extent legally permissible, waive compliance with any of the conditions contained in the merger agreement, as described in the section of this proxy statement/prospectus titled *The Merger Agreement Amendment or Supplement; Waiver*.

Regulatory Approvals (page 70)

The mergers are subject to review by antitrust, insurance and other governmental authorities in various jurisdictions. The applicable insurance regulatory authorities to which Validus and/or Flagstone must make filings and/or seek approval in connection with the mergers include:

the Florida Office of Insurance Regulation;

the Registrar of Short-Term Insurance in South Africa;

the Bermuda Monetary Authority;

the Swiss Financial Market Supervisory Authority (FINMA); and

if required, the Financial Services Authority (FSA) in the United Kingdom.

In addition, Validus and Flagstone are in the process of making antitrust or competition law filings or notifications in Norway, South Africa and Turkey in connection with the mergers.

If required, Validus and Flagstone will seek approval from the Luxembourg *Commission de Surveillance du Secteur Financier* with respect to certain aspects of the proposed transactions.

For a more detailed description of the regulatory requirements for the mergers, see the section of this proxy statement/prospectus titled *The Mergers Regulatory Approvals*.

Restrictions on Solicitation of Takeover Proposals by Flagstone; Requirement to Submit to Vote (page 82)

Flagstone has agreed that neither it nor any of its subsidiaries nor any of the officers and directors of it or its subsidiaries will solicit, initiate or knowingly facilitate or encourage (including by providing non-public information) the submission of any inquiries or requests for non-public information regarding, or the making or consummation of any proposal or offer that constitutes, or would reasonably be expected to lead to, a competing takeover proposal. Flagstone also has agreed to use reasonable best efforts to ensure that its and its subsidiaries representatives and affiliates do not take any of these actions.

Flagstone's board of directors does not have the right to terminate the merger agreement to accept a superior proposal. Flagstone's board of directors may withhold or withdraw (or modify or qualify in a manner adverse to Validus) its recommendation that Flagstone shareholders approve the merger proposal under certain circumstances described in the merger agreement. Flagstone must, however, submit the merger proposal to a vote of Flagstone shareholders at the extraordinary general meeting, even if Flagstone's board of directors withholds or withdraws (or modifies or qualifies in a manner adverse to Validus) its recommendation.

For a more detailed description of the restrictions on solicitation of takeover proposals by Flagstone and the ability of Flagstone's board of directors to change its recommendation, see the section of this proxy statement/prospectus titled *The Merger Agreement No Solicitation; Change in Recommendation*.

Termination of the Merger Agreement (page 90)

Validus and Flagstone may mutually agree to terminate the merger agreement at any time before completing the mergers, even after Flagstone shareholders approve the merger proposal at the extraordinary general meeting.

In addition, either Validus or Flagstone may terminate the merger agreement if:

subject to certain restrictions, the mergers have not been completed on or before March 31, 2013 (which date, subject to extension as described in the section of this proxy statement/prospectus titled *The Merger Agreement Book Value Determinations*, we refer to as the "walk-away date");

subject to certain restrictions, any law, regulation, order or injunction prohibiting the mergers is in effect and becomes final and nonappealable;

the approval by Flagstone shareholders of the merger proposal is not obtained at the extraordinary general meeting;

subject to certain restrictions, the other party has breached any of its representations or warranties or failed to perform any of its covenants or agreements set forth in the merger agreement and such breach or failure is not cured within a prescribed time period; or

the other party's book value as of a specified measurement date following the satisfaction of certain conditions to the merger agreement is not equal to or greater than 50% of its book value as of December 31, 2011, or on a percentage basis, the decline in the other party's book value between December 31, 2011 and the measurement date (if any) is more than 20 percentage points greater than the decline (if any) on a percentage basis during such period of the book value of the other party.

In addition, Validus may terminate the merger agreement if, prior to approval by Flagstone shareholders of the merger proposal, Flagstone's board of directors withholds or withdraws (or modifies or qualifies in a manner adverse to Validus) its recommendation that Flagstone shareholders approve the merger proposal, or if Flagstone willfully and materially breaches its non-solicitation obligations or the obligation to convene the extraordinary general meeting to approve the merger proposal.

For a more detailed description of termination rights under the merger agreement, see the section of this proxy statement/prospectus titled *The Merger Agreement Termination*.

Effect of Termination; Termination Fee (page 91)

The merger agreement provides that Validus will be entitled to receive from Flagstone a termination fee of \$24.16 million (which we refer to as the "termination fee") if Validus terminates the merger agreement due to Flagstone's board of directors having withheld or withdrawn (or modified or qualified in a manner adverse to Validus) its recommendation that Flagstone shareholders approve the merger proposal, or if Flagstone willfully and materially breaches its non-solicitation obligations or the obligation to convene the extraordinary general meeting to approve the merger proposal.

The termination fee is also payable to Validus if Validus or Flagstone terminates the merger agreement because either the required approval of the merger proposal by Flagstone's shareholders is not obtained or the mergers have not been completed on or prior to the walk-away date and both (1) on or following the date of the merger agreement and prior to the extraordinary general meeting (or prior to the termination of the merger agreement if there has been no extraordinary general meeting), a bona fide takeover proposal has been publicly made or proposed or otherwise communicated to Flagstone or any of its subsidiaries or any of their respective representatives and (2) Flagstone enters into a definitive agreement with respect to, or completes, a takeover proposal within twelve months after the termination of the merger agreement.

In addition, if the required approval of the merger proposal by Flagstone's shareholders is not obtained and Validus is not in willful and material breach of any of its representations, warranties, covenants or agreements under the merger agreement at the time Validus or Flagstone terminates the merger agreement, Flagstone will be required to pay to Validus an amount equal to \$6 million. Any subsequent termination fee payable by Flagstone would, however, be reduced by the amount of this payment. For a more detailed description of the effects of termination, see the section of this proxy statement/prospectus titled *The Merger Agreement Effect of Termination; Termination Fee*.

Treatment of Flagstone Restricted Share Unit Awards and Performance Share Unit Awards (page 75)

Each restricted share unit in respect of Flagstone shares (which we refer to as an RSU) and each performance share unit in respect of Flagstone shares (which we refer to as a PSU) that is outstanding immediately prior to the completion of the first-step merger (whether then vested or unvested) will be converted into a right to receive per share (determined based on the number of Flagstone shares subject to such award immediately prior to the completion of the first-step merger and calculated assuming, in the case of PSUs, attainment of all applicable performance goals at the maximum level for payout) (1) cash in an amount equal to the sum of \$2.00 in cash and the cumulative dividends declared by Flagstone in respect of the shares subject to such award from the beginning of the vesting or performance period for such award, as applicable, through immediately prior to the completion of the first-step merger and (2) a number of fully vested Validus common shares equal to the exchange ratio of 0.1935 multiplied by the number of Flagstone shares subject to such award, provided that the total number of Validus common shares that any holder will be entitled to receive (in respect of the aggregate outstanding awards held by such holder) will be rounded down to the nearest whole Validus common share, with such holder receiving cash in lieu of any fractional Validus common shares (we refer collectively to this consideration in clauses (1) and (2) as the share unit consideration). Upon completion of the mergers, each holder of a PSU that vests pursuant to its terms prior to the completion of the first-step merger will be entitled to receive any additional share unit consideration that such holder would have been entitled to receive had such PSU vested at the maximum level.

In addition, pursuant to the merger agreement, Flagstone has reserved the right, if the mergers have not been completed by December 31, 2012, to grant in the ordinary course up to an aggregate of 140,000 RSUs to its employees, which RSUs will not vest and will not be converted into the right to receive the share unit consideration, in connection with the completion of the mergers. Rather, such RSUs will convert automatically into Validus restricted stock units (which we refer to as Validus RSUs) (with generally the same terms and conditions as the original awards, except that these Validus RSUs will be immediately forfeited if the holder does not remain employed by Validus or any of its affiliates through the date that is 60 days following the completion of the mergers or is terminated pursuant to a notice of termination that is provided to such holder prior to such date) based on the Flagstone RSU exchange ratio, which is generally (1) the reported closing price of Flagstone shares for the last trading day prior to the completion of the mergers divided by (2) the reported closing price of Validus common shares for the last trading day prior to the completion of the mergers.

Flagstone Notes and Credit Facilities (page 71)

Flagstone's obligations with respect to its Junior Subordinated Deferrable Interest Debentures due September 2036 (Dollar and Euro denominated), Junior Subordinated Deferrable Interest Notes due July 2037 and Junior Subordinated Deferrable Interest Notes due September 2037 (which we refer to collectively as the Flagstone Notes) will be assumed by the surviving company in the mergers and become its obligations. The aggregate principal amount outstanding under the Flagstone Notes as of September 17, 2012 was approximately \$250.6 million.

Flagstone also has agreed to use commercially reasonable efforts to cooperate with Validus in connection with any amendments to Flagstone's existing credit facilities that Validus determines are necessary or desirable.

Interests of Flagstone's Directors and Executive Officers in the Mergers (page 59)

Certain of Flagstone's directors and executive officers have financial interests in the mergers that are different from, or are in addition to, the interests of Flagstone's shareholders generally. Flagstone's board of

directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the mergers, and in recommending to Flagstone shareholders that they approve the merger proposal.

The interests of Flagstone's non-employee directors include, among other things, the right to receive the share unit consideration with respect to the directors' RSUs.

The interests of Flagstone's executive officers include the rights to:

accelerated vesting and receipt of the share unit consideration with respect to the executive officers' PSUs, calculated assuming attainment of all applicable performance goals at the maximum level;

with respect to Flagstone's executive officers other than William Fawcett, General Counsel and Secretary of Flagstone, and Brenton Slade, Chief Marketing Officer of Flagstone, certain contractual severance payments in the event of a qualifying termination of employment following the mergers;

with respect to Messrs. Brown, Fawcett, Slade and David Flitman, Executive Director of Global Property Underwriting of Flagstone and Guy Swayne, Executive Vice President - Flagstone Bermuda, certain statutory severance payments in the event of a termination of employment following the mergers;

continued employment during a specified notice period following termination of employment or, with respect to Flagstone's executive officers other than Patrick Boisvert, Chief Financial Officer of Flagstone and or Frédéric Traimond, Chief Operating Officer of Flagstone, payment of base salary in lieu of such notice;

accelerated payment of the executive officer's guaranteed minimum 2012 bonus in the event of a qualifying termination of employment following the mergers and prior to December 31, 2012; and

solely with respect to Mr. Brown, the Flagstone share purchase warrant (which we refer to as the "Leyton Limited Warrant") held by Leyton Limited, an affiliate of Mr. Brown, for 630,194 Flagstone shares, which, pursuant to the merger agreement, will be amended at the effective time of the second-step merger such that, upon payment during the exercise period (which runs from December 1, 2013 to December 31, 2013) of the exercise price as of the completion of the mergers, subject to adjustments (if any) pursuant to the terms of the Leyton Limited Warrant, the Leyton Limited Warrant will be converted into the right to receive the \$2.00 in cash and 0.1935 Validus common shares, on a per share basis for each of the Flagstone shares subject to the Leyton Limited Warrant (the Leyton Limited Warrant will have value during the exercise period only if the value of the merger consideration during the exercise period is greater than the Leyton Limited Warrant's exercise price, which, as of the date of this proxy statement/prospectus, is \$13.96 per Flagstone share).

Flagstone's board of directors and executive officers also have the right to indemnification and insurance coverage that will survive the completion of the mergers. Please see the section of this proxy statement/prospectus titled *The Mergers' Interests of Flagstone's Directors and Executive Officers in the Mergers* for additional information about these interests.

Dividends and Distributions (page 71)

Each of Validus and Flagstone have historically paid a quarterly cash dividend or distribution to their respective shareholders (\$0.25 per common share in the case of Validus and \$0.04 per share in the case of Flagstone). Under the terms of the merger agreement, prior to the completion of the mergers, Validus and Flagstone are permitted to continue to declare and pay ordinary course quarterly dividends or distributions at no more than the amounts specified above and, in the case of Flagstone, with record and payment dates consistent with past practice as agreed between Flagstone and Validus.

Accounting Treatment (page 68)

Validus will account for the acquisition of Flagstone shares pursuant to the mergers under the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, Business Combinations, (which we refer to as "ASC 805"), under which the total consideration paid in the second-step merger will be allocated among acquired assets and assumed liabilities based on the fair values of the assets acquired and liabilities assumed. Validus anticipates that 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 event there is an excess of the total consideration paid in the second-step merger over the fair values of the assets acquired and liability assumed, 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 second-step merger 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 assets acquired and liabilities assumed over the total consideration paid in the second-step merger, 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.

United States Federal Income Tax Consequences (page 126)

Flagstone and Validus intend for each of the first-step merger and the second-step merger to be treated as a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Code, and completion of the mergers is conditioned on, among other things, Validus and Flagstone receiving tax opinions to this effect from their respective counsel, Skadden, Arps, Slate, Meagher & Flom LLP and Cravath, Swaine & Moore LLP. Assuming the mergers are so treated, for U.S. federal income tax purposes: (1) a U.S. holder of Flagstone shares, upon the exchange of its Flagstone shares for Flagstone Bermuda common shares in the first-step merger generally will not recognize any gain or loss and (2) a U.S. holder of Flagstone Bermuda common shares, upon the exchange of its Flagstone Bermuda common shares for Validus common shares and cash in the second-step merger, generally will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of cash received by such U.S. holder in the second-step merger (excluding any cash received in lieu of a fractional Validus common share) and (ii) the excess, if any, of (a) the sum of the cash and the fair market value of the Validus common shares received by such U.S. holder (including the fair market value of any fractional Validus common share deemed received), over (b) the U.S. holder's tax basis in the Flagstone Bermuda common shares exchanged pursuant to the second-step merger. Subject to the passive foreign investment company rules or the potential application of Section 1248 of the Code, any gain recognized upon the exchange generally will be capital gain, unless the receipt of cash by a U.S. holder has the effect of the distribution of a dividend for U.S. federal income tax purposes. For more information, see the section of this proxy statement/prospectus titled *United States Federal Income Tax Consequences of the Mergers*.

The tax consequences of the mergers to you will depend upon the facts of your particular circumstances. Because individual circumstances may differ, Validus urges you to consult your own tax advisor as to the specific tax consequences of the mergers to you, including the applicability of U.S. federal, state, local, non-U.S. and other tax laws.

Listing of Validus Common Shares to be Issued as Part of the Merger Consideration (page 71)

Validus will submit the necessary applications to cause the Validus common shares to be issued as a portion of the merger consideration to be authorized for listing on the NYSE, subject to official notice of issuance. Approval of this listing is a condition to the completion of the mergers.

Comparison of Shareholders Rights (page 108)

You will receive Validus common shares as a portion of the merger consideration. Because Validus is incorporated under Bermuda law and Flagstone is incorporated under Luxembourg law, there are a number of differences between the rights of a shareholder of Flagstone and the rights of a shareholder of Validus. We encourage you to review the discussion in the section of this proxy statement/prospectus titled *Comparison of Shareholders Rights*.

Appraisal Rights and Dissenters Rights (page 36)

Flagstone shareholders are not entitled to any appraisal rights or dissenters rights in connection with the mergers.

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

Selected Historical Consolidated Financial Data of Validus

Set forth below is certain selected historical consolidated financial data relating to Validus. The financial data as of December 31, 2011 and 2010 and for the fiscal years ended December 31, 2011, 2010 and 2009 has been derived from Validus' audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011 incorporated by reference in this proxy statement/prospectus. The financial data as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 has been derived from Validus' unaudited consolidated financial statements included in Validus' Quarterly Report on Form 10-Q for the six months ended June 30, 2012, incorporated by reference in this proxy statement/prospectus. The financial data as of December 31, 2009, 2008 and 2007, and as of June 30, 2011 and for the years ended December 31, 2008 and 2007 has been derived from financial data not included in the consolidated financial statements incorporated by reference in this proxy statement/prospectus. You should not take historical results as necessarily indicative of the results that may be expected for any future period.

You should read carefully the following summary consolidated financial information together with the other information contained in Validus' Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and Validus' Quarterly Report on Form 10-Q for the six months ended June 30, 2012, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes therein. See the section of this proxy statement/prospectus titled *Where You Can Find More Information*.

The following table sets forth summarized operational data for the periods ended December 31, 2011, 2010, 2009, 2008 and 2007 and June 30, 2012 and 2011:

	Six Months Ended June 30, unaudited		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
(Dollars in thousands, except share and per share amounts)							
Revenues							
Gross premiums written	\$ 1,464,378	\$ 1,455,283	\$ 2,124,691	\$ 1,990,566	\$ 1,621,241	\$ 1,362,484	\$ 988,637
Reinsurance premiums ceded	(226,104)	(242,166)	(289,241)	(229,482)	(232,883)	(124,160)	(70,210)
Net premiums written	1,238,274	1,213,117	1,835,450	1,761,084	1,388,358	1,238,324	918,427
Change in unearned premiums	(339,448)	(357,944)	(33,307)	39	61,219	18,194	(60,348)
Net premiums earned	898,826	855,173	1,802,143	1,761,123	1,449,577	1,256,518	858,079
Gain on bargain purchase, net of expenses ⁽¹⁾					287,099		
Net investment income	53,645	56,469	112,296	134,103	118,773	139,528	112,324
Realized gain on repurchase of debentures					4,444	8,752	
Net realized gains (losses) on investments	13,686	17,931	28,532	32,498	(11,543)	(1,591)	1,608
Net unrealized (losses) gains on investments ⁽²⁾	(32,903)	5,698	(19,991)	45,952	84,796	(79,707)	12,364
(Loss) from investment affiliate	(398)						
Other income	14,885	2,201	5,718	5,219	4,634	5,264	3,301
Foreign exchange (losses) gains	2,514	(2,458)	(22,124)	1,351	(674)	(49,397)	6,696

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

Total revenues	950,255	935,014	1,906,574	1,980,246	1,937,106	1,279,367	994,372
Expenses							
Losses and loss expenses	385,681	683,505	1,244,401	987,586	523,757	772,154	283,993
Policy acquisition costs	154,261	155,526	314,184	292,899	262,966	234,951	134,277
General and administrative expenses ⁽³⁾	128,010	109,318	197,497	209,290	185,568	123,948	100,765
Share compensation expenses	12,238	19,677	34,296	28,911	27,037	27,097	16,189
Finance expenses	29,985	30,362	54,817	55,870	44,130	57,318	51,754
Fair value of warrants issued							2,893
Transaction expenses ⁽⁴⁾			17,433				
Total expenses	710,175	998,388	1,862,628	1,574,556	1,043,458	1,215,468	589,871
Net income (loss) before taxes and income from operating affiliates	240,080	(63,374)	43,946	405,690	893,648	63,899	404,501
Tax (expense) benefit	(543)	1,488	(824)	(3,126)	3,759	(10,788)	(1,505)
Income from operating affiliates	6,959						
Net income (loss)	\$ 246,496	\$ (61,886)	\$ 43,122	\$ 402,564	\$ 897,407	\$ 53,111	\$ 402,996
Net income (loss) available (attributable) to noncontrolling interest	45,360	(594)	(21,793)				
Net income (loss) available (attributable) to Validus	\$ 291,856	\$ (62,480)	\$ 21,329	\$ 402,564	\$ 897,407	\$ 53,111	\$ 402,996

Other comprehensive income (loss)							
Foreign currency translation adjustments	636	936	(1,146)	(604)	3,007	(7,809)	(49)
Other comprehensive income (loss)							
	636	936	(1,146)	(604)	3,007	(7,809)	(49)
Comprehensive income (loss) available (attributable) to Validus							
	\$ 292,492	\$ (61,544)	\$ 20,183	\$ 401,960	\$ 900,414	\$ 45,302	\$ 402,947
Earnings per share⁽⁵⁾							
Weighted average number of common shares and common share equivalents outstanding							
Basic	98,839,663	98,165,132	98,607,439	116,018,364	93,697,194	74,677,903	65,068,093
Diluted	104,382,030	98,165,132	100,928,284	120,630,945	97,168,409	75,819,413	67,786,673
Basic earnings (loss) per share available (attributable) to common shareholders							
	\$ 2.92	\$ (0.68)	\$ 0.14	\$ 3.41	\$ 9.51	\$ 0.62	\$ 6.19
Diluted earnings (loss) per share available (attributable) to common shareholders							
	\$ 2.80	\$ (0.68)	\$ 0.14	\$ 3.34	\$ 9.24	\$ 0.61	\$ 5.95
Cash dividends declared per share							
	\$ 0.50	\$ 0.50	\$ 1.00	\$ 0.88	\$ 0.80	\$ 0.80	\$
Selected financial ratios							
Losses and loss expenses ratio ⁽⁶⁾	42.9%	79.9%	69.1%	56.1%	36.1%	61.5%	33.1%
Policy acquisition costs ratio ⁽⁷⁾	17.2%	18.2%	17.4%	16.6%	18.1%	18.7%	15.6%
General and administrative expenses ratio ⁽⁸⁾	15.6%	15.1%	12.9%	13.5%	14.7%	12.0%	13.3%
Expense ratio ⁽⁹⁾	32.8%	33.3%	30.3%	30.1%	32.8%	30.7%	28.9%
Combined ratio ⁽¹⁰⁾	75.7%	113.2%	99.4%	86.2%	68.9%	92.2%	62.0%
Annualized return on average equity ⁽¹¹⁾							
	16.7%	(3.7)%	0.6%	10.8%	31.8%	2.7%	26.9%

The following table sets forth summarized balance sheet data as of December 31, 2011, 2010, 2009, 2008 and 2007 and June 30, 2012 and 2011:

	As of June 30,		As of December 31,				
	2012	2011	2011	2010	2009	2008	2007
(Dollars in thousands, except share and per share amounts)							
Summary Balance Sheet Data:							
Investments at fair value	\$ 5,546,620	\$ 5,347,538	\$ 5,191,123	\$ 5,118,859	\$ 5,388,759	\$ 2,831,537	\$ 2,662,021
Cash and cash equivalents	903,310	815,921	832,844	620,740	387,585	449,848	444,698
Total assets	8,499,568	8,259,788	7,618,471	7,060,878	7,019,140	4,322,480	4,144,224

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

Reserve for losses and loss expenses	2,591,299	2,620,360	2,631,143	2,035,973	1,622,134	1,305,303	926,117
Unearned premiums	1,196,836	1,192,772	772,382	728,516	724,104	539,450	557,344
Senior notes payable	247,036	246,928	246,982	246,874			
Debentures payable	289,800	289,800	289,800	289,800	289,800	304,300	350,000
Total liabilities	4,616,994	4,716,576	4,170,046	3,556,047	2,988,020	2,383,746	2,209,424
Total shareholders equity	3,477,834	3,408,317	3,448,425	3,504,831	4,031,120	1,938,734	1,934,800
Book value per common share ⁽¹²⁾	37.23	34.51	34.67	35.76	31.38	25.64	26.08
Diluted book value per common share ⁽¹³⁾	34.43	31.91	32.28	32.98	29.68	23.78	24.00

-
- (1) The gain on bargain purchase, net of expenses, arises from the acquisition of IPC Holdings, Ltd. on September 4, 2009 and is net of transaction related expenses.
- (2) During the first quarter of 2007, Validus adopted authoritative guidance on Fair Value Measurements and Disclosures and Financial Instruments 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 has no impact on the results of operations for the annual or interim periods beginning January 1, 2007. Validus

investments were accounted for as trading for the annual or interim periods beginning January 1, 2007 and as such all unrealized gains and losses are included in net income.

- (3) General and administrative expenses for the year ended December 31, 2007 include \$4,000,000 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 third quarter of the year ended December 31, 2007.
- (4) The transaction expenses relate to cost incurred in connection with Validus terminated acquisition proposal to acquire Transatlantic Holdings, Inc. Transaction expenses are primarily comprised of legal, financial advisory and audit related services.
- (5) U.S. GAAP fair value recognition provisions for *Stock Compensation* require 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 one 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.
- (6) The losses and loss expense ratio is calculated by dividing losses and loss expenses by net premiums earned.
- (7) The policy acquisition cost ratio is calculated by dividing policy acquisition costs by net premiums earned.
- (8) 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.
- (9) The expense ratio is calculated by combining the policy acquisition cost ratio and the general and administrative expense ratio.
- (10) 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.
- (11) Return on average equity is calculated by dividing the net income for the period by the average shareholders equity during the period. Quarterly average shareholders equity is the average of the beginning and ending shareholders equity balances. Annual average shareholders equity is the average of the beginning, ending and intervening quarter-end shareholders equity balances.
- (12) Book value per common share is defined as total shareholders equity available to Validus divided by the number of common shares outstanding as at the end of the period, giving no effect to dilutive securities.
- (13) Diluted book value per common share is calculated based on total shareholders equity available to Validus plus the assumed proceeds from the exercise of outstanding options and warrants, divided by the sum of Validus 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 Validus Annual Report on Form 10-K for the year ended December 31, 2011.

Edgar Filing: VALIDUS HOLDINGS LTD - Form S-4

Selected Historical Consolidated Financial Data of Flagstone

The selected statement of operations data for the years ended December 31, 2011, 2010 and 2009 and the selected balance sheet data as of December 31, 2011 and 2010 have been derived from the audited consolidated financial statements of Flagstone contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which are incorporated into this proxy statement/prospectus by reference. The selected statement of operations data for the years ended December 31, 2008 and 2007 and balance sheet data as of December 31, 2009, 2008 and 2007 have been derived from Flagstone's audited consolidated financial statements for such periods, which have not been incorporated into this proxy statement/prospectus by reference and have been prepared in accordance with U.S. generally accepted accounting principles.

The selected statement of operations data for the six months ended June 30, 2012 and 2011, and the selected balance sheet data as of June 30, 2012 have been derived from Flagstone's unaudited interim consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, which are incorporated into this proxy statement/prospectus by reference. The selected balance sheet data as of June 30, 2011 has been derived from Flagstone's unaudited consolidated financial statements for such period, which have not been incorporated into this proxy statement/prospectus by reference. These financial statements are unaudited, but, in the opinion of Flagstone's management, contain all adjustments necessary to present fairly Flagstone's financial position and results of operations for the periods indicated.

You should not take historical results as necessarily indicative of the results that may be expected for any future period. You should read this selected historical consolidated financial data together with the financial statements that are incorporated by reference into this proxy statement/prospectus and their accompanying notes and management's discussion and analysis of financial condition and results of operations of Flagstone contained in such reports. See the section of this proxy statement/prospectus titled *Where You Can Find More Information*.

The following table sets forth summarized financial data for the periods ended December 31, 2011, 2010, 2009, 2008 and 2007 and June 30, 2012 and 2011:

	Six Months Ended June 30,		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007

(All amounts are expressed in thousands of U.S. dollars, except share amounts and per share amounts)

Summary Statement of Operations Data⁽¹⁾:

Net premiums written	\$ 250,194	\$ 453,644	\$ 558,432	\$ 668,729	\$ 617,513	\$ 658,824	\$ 514,380
Net (loss) income attributable to Flagstone	\$ 52,675	\$ (181,430)	\$ (326,133)	\$ 97,084	\$ 242,192	\$ (187,302)	\$ 167,922
Net (loss) income per share outstanding Basic	\$ 0.74	\$ (2.60)	\$ (4.65)	\$ 1.23	\$ 2.87	\$ (2.20)	\$ 2.05
Distributions declared per share ⁽²⁾	\$ 0.08	\$ 0.08	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.08

	As at June 30,		As at December 31,				
	2012	2011⁽³⁾	2011	2010	2009	2008	2007

Summary Balance Sheet Data⁽¹⁾:

Total investments, cash and cash equivalents and restricted cash	\$ 1,377,090	\$ 1,642,617	\$ 1,541,547	\$ 1,824,778	\$ 1,841,342	\$ 1,661,999	\$ 1,820,493
Total assets	\$ 2,574,026	\$ 3,296,073	\$ 2,778,496	\$ 2,770,277	\$ 2,614,173	\$ 2,167,853	\$ 2,034,077
Loss and loss adjustment expense reserves	\$ 682,329	\$ 877,090	\$ 897,368	\$ 583,267	\$ 436,192	\$ 401,623	\$ 177,100
Long term debt	\$ 250,202	\$ 252,602	\$ 250,575				