VALIDUS HOLDINGS LTD
Form DEF 14A
March 23, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a- 6(e)(2))

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-12

VALIDUS HOLDINGS, LTD.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

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VALIDUS HOLDINGS, LTD.

NOTICE OF ANNUAL GENERAL MEETING OF HOLDERS OF COMMON SHARES TO BE HELD ON MAY 4, 2011

Suite 1790
48 Par-la-Ville Road
Hamilton, HM 11
Bermuda

March 23, 2011

TO THE HOLDERS OF COMMON SHARES OF VALIDUS HOLDINGS, LTD.

Notice is hereby given that the Annual General Meeting of holders (the Shareholders) of Common Shares of Validus Holdings, Ltd. (the Company) will be held at Tucker s Point Golf Club, 20 Stable Lane, Hamilton Parish HS02, Bermuda, on Wednesday, May 4, 2011 at 8:30 a.m. local time for the following purposes:

1. To elect three Class I Directors to hold office until 2014;

2. To elect certain individuals as Designated Company Directors of certain of the Company s non-U.S. subsidiaries, as required by the Company s bye-laws;

3. To approve, by a non-binding advisory vote, the executive compensation payable to the Company s named executive officers;

4. To select, by a non-binding advisory vote, the frequency at which Shareholders will be asked to approve, by a non-binding advisory vote, the compensation paid by the Company to its named executive officers;

5. To approve the selection of PricewaterhouseCoopers to act as the independent registered public accounting firm of the Company for the year ending December 31, 2011; and

6. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only Shareholders of record at the close of business on March 11, 2011, are entitled to receive notice of and to vote at the Annual General Meeting. For instructions on voting, please refer to the instructions on the Notice Regarding the Availability of Proxy Materials you received in the mail or, if you requested a hard copy of the Proxy Statement, on your enclosed proxy card.

PLEASE VOTE YOUR PROXY AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. YOUR SHARES WILL BE VOTED WITH THE INSTRUCTIONS CONTAINED IN THE PROXY CARD. IF NO INSTRUCTION IS GIVEN, YOUR SHARES WILL BE VOTED CONSISTENT WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS CONTAINED IN THE PROXY STATEMENT.

By Order of the Board of Directors,

Lorraine Dean
Secretary

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VALIDUS HOLDINGS, LTD.

**PROXY STATEMENT
FOR THE
ANNUAL GENERAL MEETING OF HOLDERS OF COMMON SHARES
TO BE HELD ON MAY 4, 2011**

The accompanying proxy is solicited by the Board of Directors of Validus Holdings, Ltd. (the Company) to be voted at the Annual General Meeting of holders (the Shareholders) of the Company s voting Common and Restricted Shares (the Shares) to be held on May 4, 2011 and any adjournments thereof. Pursuant to rules adopted by the U.S. Securities and Exchange Commission (the SEC), the Company has elected to provide access to its proxy materials over the Internet. Accordingly, the Company is mailing a Notice Regarding the Availability of Proxy Materials (the Notice) to Shareholders. The Notice, the Proxy Statement, the Notice of Annual General Meeting and the proxy card are first being made available to Shareholders on or about March 23, 2011. The Company has made available with this Proxy Statement the Company s Annual Report on Form 10-K (the Annual Report to Shareholders), although the Annual Report to Shareholders should not be deemed to be part of this Proxy Statement. All Shareholders will have the ability to access the proxy materials on a website referred to in the Notice. Shareholders may also request to receive a printed set of the proxy materials. In addition, Shareholders may specify how they would prefer to receive proxy materials in the future, including receiving proxy materials by e-mail or in hard copy format. Choosing to receive your future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will also reduce the impact on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it. Additionally, if you elect to receive future proxy materials in hard copy form by mail, this election will remain in effect until you terminate it.

When such proxy is properly executed and returned, the Shares of the Company it represents will be voted at the Annual General Meeting on the following:

(1) the election of the three nominees for Class I Directors identified herein;

(2) the election of nominees for Designated Company Directors of certain of the Company s non-U.S. Subsidiaries, as required by the Company s bye-laws, identified herein;

(3) the approval, by a non-binding advisory vote, of the executive compensation payable to the Company s named executive officers as described in the Executive Compensation section of this Proxy Statement, including the Compensation Discussion and Analysis;

(4) the selection, by a non-binding advisory vote, of the frequency at which Shareholders of the Company will be asked to approve, by a non-binding advisory vote, the compensation paid by the Company to its named executive officers; and

(5) the approval of the selection of PricewaterhouseCoopers (the Independent Auditor), to act as the independent registered public accounting firm of the Company for the year ending December 31, 2011.

Any Shareholder giving a proxy has the power to revoke it prior to its exercise by giving notice of such revocation to the General Counsel of the Company in writing at Validus Holdings, Ltd., Suite 1790, 48 Par-la-Ville Road, Hamilton, HM 11, Bermuda, by attending and voting in person at the Annual General Meeting or by executing a subsequent proxy, provided that such action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the votes are taken.

Shareholders of record as of the close of business on March 11, 2011 will be entitled to vote at the Annual General Meeting. As of March 11, 2011, there were 101,275,669 Shares outstanding. Of these, 85,826,602 are entitled to vote at the Annual General Meeting and 15,349,067 are non-voting Common Shares. Each Share entitles the holder of record thereof to one vote at the Annual General Meeting; however, if, and for so long as, the Shares of

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a Shareholder, including any votes conferred by controlled shares (as defined below), would otherwise represent more than 9.09% of the aggregate voting power of all Shares entitled to vote on a matter, the votes conferred by such Shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by our Amended and Restated Bye-laws (Bye-laws)), the votes conferred by such shares represent 9.09% of the aggregate voting power of all Shares entitled to vote on such matter. Controlled shares include, among other things, all shares that a person is deemed to own directly, indirectly or constructively (within the meaning of Section 958 of the Internal Revenue Code of 1986 or Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act)).

Other than the approval of the minutes of the 2010 Annual General Meeting, the Company knows of no specific matter to be brought before the Annual General Meeting that is not referred to in the Notice of Annual General Meeting. If any such matter comes before the Annual General Meeting, including any Shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

The election of each nominee for Director requires the affirmative vote of a plurality of the votes cast at the Annual General Meeting. The election of each nominee for Designated Company Director and the approval of the selection of the Independent Auditor referred to in Item 5 above each require the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting, provided there is a quorum (consisting of two or more Shareholders present in person and representing in person or by proxy in excess of fifty percent (50%) of the total issued voting Shares in the Company throughout the meeting). Abstentions and broker non-votes (i.e., shares held by a broker which are represented at the Annual General Meeting but with respect to which such broker does not have discretionary authority to vote on a particular proposal) will be counted for purposes of determining whether a quorum exists, but will not be considered present and voting with respect to the elections of nominees for Director or Designated Company Directors or other matters to be voted upon at the Annual General Meeting. Therefore, abstentions will have no effect on the outcome of the proposals presented at the Annual General Meeting.

Our principal executive offices are located at 29 Richmond Road, Pembroke HM08, Bermuda (telephone number: (441) 278-9000).

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OWNERSHIP OF COMMON STOCK BY MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of March 10, 2011 regarding the beneficial ownership of our common shares by:

- each person known by us to beneficially own more than 5% of our outstanding common shares;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

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

Beneficial Owner (1)(15)(17)	Common Shares	Shares Subject to Exercise of Warrants	Unvested Restricted Shares and Shares Subject to Exercise of Options	Total Common Shares and Common Share Equivalents (16)	Total Beneficial Ownership (%)(2)	Fully Diluted Total Beneficial Ownership (%)(2)
Investment funds affiliated with The Goldman Sachs Group, Inc.(3),(4)	9,634,782	1,604,410		11,239,192	11.26%	10.04%
Aquiline Capital Partners LLC and the funds it manages(5)	6,255,943	2,756,088		9,012,031	8.93%	8.05%
Funds affiliated with or managed by Vestar Capital Partners(6)	7,786,770	972,810		8,759,580	8.83%	7.83%
Funds affiliated with or managed by New Mountain Capital, LLC(7)	6,346,697	784,056		7,130,753	7.20%	6.37%
Entities affiliated with Bank of America Corp. or managed by Bank of America Corp. affiliates(3),(8)	6,700,182	1,067,187		7,767,369	7.82%	6.94%
Edward J. Noonan(9)(10)	466,702	29,039	973,466	1,469,207	0.50%	1.31%
George P. Reeth(9)	20,185		186,513	206,698	0.02%	0.18%
Jeff Consolino(9)	88,599		432,701	521,300	0.09%	0.47%
Conan M. Ward(9)	75,561		424,578	500,139	0.08%	0.45%
C. N. Rupert Atkin(9)	243,152		162,320	405,472	0.25%	0.36%
Stuart W. Mercer(9)	29,259		339,597	368,856	0.03%	0.33%
Matthew J. Grayson(10)		291,151		291,151	0.30%	0.26%

Jeffrey W. Greenberg (10),(12)	6,255,943	2,766,107		9,022,050	8.93%	8.06%
John J. Hendrickson(10)	46,642	72,598	4,728	123,968	0.12%	0.11%
Sander M. Levy (10),(13)					8.83%	7.83%
Jean-Marie Nessi(10)					0.00%	0.00%
Mandakini Puri(10)					0.00%	0.00%
Alok Singh (10),(14)					7.20%	6.37%
Christopher E. Watson (10),(11)		6,026		6,026	0.01%	0.01%
Directors and Executive Officers as a group (19 persons)(15)	1,362,995	408,832	2,772,091	4,543,918	1.80%	4.06%
Shares held by persons owning less than 5% and unnamed executive officers	60,130,764	341,478	2,880,933	63,485,576	61.36%	56.60%
Total	98,218,133	7,934,860	5,653,024	111,938,418	100.00%	100.00%

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

(2) The percentage of beneficial ownership for all holders has been rounded to the nearest 1/100th of a percent. Total beneficial ownership is determined in accordance with the rules of the SEC and includes common shares issuable within 60 days of March 10, 2011 upon the exercise of all options and warrants and other rights

beneficially owned by the indicated person on that date. Fully diluted total beneficial ownership is based upon all common shares and all common shares subject to exercise of options and warrants outstanding at March 10, 2011. Under our Bye-laws, if, and for so long as, the common shares of a shareholder, including any votes conferred by controlled shares, would otherwise represent more than 9.09% of the aggregate voting power of all common shares entitled to vote on a matter, including an election of directors, the votes conferred by such shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by our Bye-laws), the votes conferred by such shares represent 9.09% of the aggregate voting power of all common shares entitled to vote on such matter.

(3) All of the common shares beneficially owned by funds affiliated with or managed by The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. (Goldman Sachs) are non-voting. 5,714,285 of the common shares beneficially owned by entities affiliated with Bank of America Corp. (Bank of America) (the parent corporation of Merrill Lynch & Co, Inc. (Merrill Lynch)) or managed by Bank of America affiliates are non-voting. Other shares listed are shares held by entities not managed by Merrill Lynch Global Private Equity.

(4) Funds affiliated with or managed by Goldman Sachs (collectively, the Goldman Sachs Funds) are GSCP V AIV, L.P. (3,283,006 shares and 638,458.3 warrants), GS Capital Partners V Employees Fund, L.P. (1,061,112 shares and 206,360.0 warrants), GS Capital Partners V Offshore, L.P. (2,243,993 shares and 436,397.5 warrants), GS Capital Partners V GmbH & Co. KG (172,227 shares and 33,495.5 warrants), GSCP V Institutional AIV, Ltd. (1,489,656 shares and 289,698.7 warrants), GS Private Equity Partners 1999, L.P. (719,820 shares), GS Private Equity Partners 1999 Offshore, L.P. (115,037 shares), GS Private Equity Partners 1999 Direct Investments Funds, L.P. (20,576 shares), GS Private Equity Partners 2000, L.P. (304,165 shares), GS Private Equity Partners 2000 Offshore Holdings, L.P. (107,063 shares) and GS Private Equity Partners 2000 Direct Investment Fund, L.P. (118,127 shares). The Goldman Sachs Group, Inc., and certain affiliates, including Goldman Sachs, which is a broker-dealer, and the Goldman Sachs Funds may be deemed to directly or indirectly beneficially own in the aggregate 9,634,782 of our common shares and 1,604,410.0 warrants which are owned directly or indirectly by the Goldman Sachs Funds. Affiliates of The Goldman Sachs Group, Inc. and Goldman Sachs are the general partner, managing general partner or managing limited partner of the Goldman Sachs Funds. Goldman Sachs is the investment manager for certain of the Goldman Sachs Funds. Goldman Sachs is a direct and indirect, wholly owned subsidiary of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc., Goldman Sachs and the Goldman Sachs Funds share voting power and investment power with certain of their respective affiliates. The Goldman Sachs Group, Inc. and Goldman Sachs each disclaim beneficial ownership of the common shares owned directly or indirectly by the Goldman Sachs Funds, except to the extent of their pecuniary interest therein, if any.

(5) Funds managed by Aquiline Capital Partners LLC are Aquiline Financial Services Fund L.P. (4,015,760 shares and 116,503.2 warrants) and Aquiline Financial Services Fund (Offshore) L.P. (2,240,183 shares and 64,991.1 warrants). Aquiline Capital Partners LLC owns the remaining 2,574,593.7 of the warrants shown. Christopher E. Watson is a senior principal at Aquiline Capital Partners LLC and Jeffrey W. Greenberg is the managing principal of Aquiline Capital Partners LLC.

(6) Funds affiliated with or managed by Vestar Capital Partners are Vestar AIV Employees Validus Ltd. (82,142 shares and 10,236.3 warrants), Vestar AIV Holdings B L.P. (64,989 shares and 8,130.9 warrants), and Vestar AIV Holdings A L.P. (7,639,639 shares and 954,442.4 warrants). Sander M. Levy is a managing director of Vestar Capital Partners.

(7) Funds affiliated with or managed by New Mountain Capital, LLC are New Mountain Partners II (Cayman), L.P. (5,796,198 shares and 716,031.5 warrants), Allegheny New Mountain Partners (Cayman), L.P. (448,566 shares and 55,392.1 warrants) and New Mountain Affiliated Investors II (Cayman), L.P. (101,933 shares and 12,632.0

warrants). Alok Singh is a managing director of New Mountain Capital, LLC.

(8) Entities affiliated with Bank of America or managed by Bank of America affiliates are ML Global Private Equity Fund, L.P. (4,285,714 shares and 364,803.6 warrants), Merrill Lynch Ventures L.P. 2001 (1,428,571 shares and 121,601.2 warrants), GMI Investments, Inc. (580,781.9 warrants) and Merrill Lynch, Pierce, Fenner & Smith Incorporated (559,158 shares), Bank of America, National Association (422,967 shares), Banc of America Investment Advisors, Inc. (3,051 shares) and Merrill Lynch International (721 shares).

The general partner of ML Global Private Equity Fund, L.P. is MLGPE LTD., a Cayman Islands exempted company whose sole shareholder is ML Global Private Equity Partners, L.P., a Cayman Islands exempted limited partnership (ML Partners). The investment committee of ML Partners, which is composed of Merrill Lynch GP, Inc., a Delaware corporation, as the general partner of ML Partners, and certain investment professionals who are actively performing services for ML Global Private Equity Fund, L.P., retains decision-making power over the disposition and voting of shares of portfolio investments of ML Global Private Equity Fund, L.P. The consent of Merrill Lynch GP, Inc., as ML Partners general partner, is required for any such vote. Merrill Lynch GP, Inc. is a wholly owned subsidiary of Merrill Lynch Group, Inc., a Delaware corporation, which in turn is a wholly owned subsidiary of Merrill Lynch, which in turn is a wholly owned subsidiary of Bank of America. MLGPE LTD., as general partner of ML Global Private Equity Fund, L.P.; ML Partners, the special limited partner of ML Global Private Equity Fund, L.P.; Merrill Lynch GP, Inc., by virtue of its right to consent to the voting of shares of portfolio investments of ML Global Private Equity Fund, L.P.; the individuals who are members of the investment committee of ML Partners; and each of Merrill Lynch Group, Inc. and Merrill Lynch, because they control Merrill Lynch GP, Inc., may therefore be deemed to beneficially own the shares that ML Global Private Equity Fund, L.P. holds of record or may be deemed to beneficially own. Each such entity or individual expressly disclaims beneficial ownership of these shares.

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

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

(9) Unvested restricted shares held by our named executive officers and included in common shares accumulate dividends and may be voted. Unvested restricted shares held by our named executive officers are Mr. Noonan (233,625 shares), Mr. Reeth (186,513 shares), Mr. Consolino (186,087 shares), Mr. Ward (177,964 shares), Mr. Atkin (162,320 shares) and Mr. Mercer (152,983 shares).

(10) See Election of Directors for biographies of the directors, including their relationships with certain beneficial owners of common shares listed in this table.

(11) Does not include shares and warrants beneficially owned by Aquiline Capital Partners LLC and the funds it manages. Mr. Watson disclaims the existence of a group and beneficial ownership of the shares and warrants owned by Aquiline Capital Partners LLC and the funds it manages.

(12) Includes shares and warrants beneficially owned by Aquiline Capital Partners LLC and the funds it manages. Mr. Greenberg disclaims existence of a group and disclaims beneficial ownership of the shares and warrants owned by entities affiliated with or managed by Aquiline Capital Partners LLC.

(13) Includes shares and warrants beneficially owned by entities affiliated with or managed by Vestar Capital Partners. Mr. Levy disclaims existence of a group and disclaims beneficial ownership of the shares and warrants owned by entities affiliated with or managed by Vestar Capital Partners.

(14) Includes shares and warrants beneficially owned by entities affiliated with or managed by New Mountain Capital LLC. Mr. Singh disclaims existence of a group and disclaims beneficial ownership of the shares and warrants owned by entities affiliated with or managed by New Mountain Capital Group, LLC.

(15) Excludes shares as to which beneficial ownership is disclaimed.

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(16) Total common shares and common share equivalents equal the sum of (i) common shares; (ii) unvested restricted shares; (iii) shares subject to the exercise of warrants; and (iv) shares subject to the exercise of options.

(17) The addresses of each beneficial owner are as follows: Funds affiliated with or managed by Goldman, Sachs & Company, c/o Goldman, Sachs & Co., 200 West Street, New York, NY 10282; Aquiline Financial Services Fund L.P., c/o Aquiline Capital Partners LLC, 535 Madison Avenue, New York, NY 10022; Funds affiliated with or managed by Vestar Capital Partners, c/o Vestar Capital Partners, 245 Park Avenue, 41st Floor, New York, NY 10167; Funds affiliated with or managed by New Mountain Capital, LLC, c/o New Mountain Capital, LLC, 787 Seventh Avenue, 49th Floor, New York, NY 10019; Funds affiliated with or managed by Bank of America, c/o Merrill Lynch Global Private Equity, 4 World Financial Center, 23rd Floor, New York, NY 10080. The address of each other beneficial owner listed is c/o Validus Holdings, Ltd., 29 Richmond Road, Pembroke HM08 Bermuda.

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BOARD OF DIRECTORS

The Company s Bye-laws provide that the Board of Directors (sometimes referred to herein as the Board) shall consist of not less than nine nor more than 12 as determined by resolution of the Board, divided into three classes, designated Class I, Class II and Class III, with each class consisting as nearly as possible of one-third of the total number of Directors constituting the entire Board of Directors.

The term of office for each Director in Class I expires at the 2011 Annual General Meeting; the term of office for each Director in Class II expires at the 2012 Annual General Meeting; and the term of office for each Director in Class III expires at the 2013 Annual General Meeting of the Company. At each Annual General Meeting, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the Annual General Meeting to be held in the third year of their election. In 2010, there were 4 meetings of the Board. All incumbent Directors attended at least 75% of such meetings and of the meetings held by all committees of the Board of which they were a member. Messrs. Noonan, Fitzpatrick, Grayson, Levy, Reeth, Watson and Ms. Puri attended the 2010 Annual General Meeting. The Company expects all of the Directors to attend the 2011 Annual General Meeting.

Board Leadership Structure and Risk Oversight

Edward J. Noonan is the Chairman of the Board and the Company s CEO. The Company believes that this unitary leadership structure provides, among other things, more effective leadership for a growth company. As such, the Company believes that under this structure the CEO is able to respond more quickly to market conditions. The importance of the ability to act swiftly and decisively is apparent in situations such as business development and the addition of business teams and talented professionals where decisions have to be made within a very short period of time. As the Company is still at a growth stage of life, unitary leadership helps to lower the costs of information transfer from the CEO to the Chairman and enhances swift decision making in such a dynamic environment. In addition to his broad experience as both an executive and Director/Chairman in the global insurance and reinsurance industries, the CEO also has specialized knowledge regarding the strategic challenges and opportunities facing the Company that is valuable to the Chairman s job. The Company believes, therefore, that it is appropriate for the CEO, the person most familiar with these challenges and strategies, to lead discussions with the Board. In addition, the Company s experienced outside and independent Board, many of whom represent some of the Company s most significant shareholders, also acts as a counter-balance to any potential over influence that this unitary leadership structure might present.

In order to further counter-balance this leadership structure, in connection with each regularly scheduled meeting of the Board, the non-management Directors meet in executive session without any member of management in attendance. The Board considers annually the selection of a non-management Director to serve as presiding Director at executive sessions of non-management Directors. Mr. Greenberg is the non-management Director whom the Board has selected to preside over these sessions. In addition, the independent Directors meet as a group at least annually.

As noted below, the Board has established a separate risk committee that is responsible for, among other things, approving the Company s risk management framework (the Framework), working with management to ensure ongoing, effective implementation of the Framework and reviewing the Company s specific risk limits as defined in the Framework, including limits for underwriting, investment, operational, business and other risks. The Company s Chief Risk Officer prepares a quarterly presentation for the risk committee and communicates with the chairman of the risk committee on an informal basis periodically throughout the year.

Independence Determination

The Board has adopted independence standards in accordance with the listing standards of the New York Stock Exchange (NYSE) and Rule 10A-3 promulgated under the Exchange Act to assist it in making determinations as to whether Directors have any material relationships with the Company for purposes of determining such Directors independence under the listing standards of the NYSE and Rule 10A-3 promulgated under the Exchange Act. These independence standards are attached as Appendix A to this Proxy Statement. In accordance with these standards, in February of 2011 the Board of Directors determined that eight of the nine directors (Matthew J. Grayson, Jeffrey W.

Greenberg, John J. Hendrickson, Sander M. Levy, Jean-Marie Nessi, Mandakini Puri, Alok Singh and Christopher E. Watson) are independent. In making such determination, the Board considered the matters described under Certain Relationships and Related Party Transactions.

Website Access to Corporate Governance Documents

Copies of the charters for the audit committee, the compensation committee, the corporate governance and nominating committee, the finance committee and the risk committee, as well as the Company s Corporate Governance Guidelines, Code of Business Conduct and Ethics for Directors, Officers and Employees, which applies to all of the Company s directors, officers and employees, and Code of Ethics for Senior Officers, which applies to the Company s principal executive officer, principal accounting officer and other persons holding a comparable position, are available free of charge on the Company s website at *www.validusholdings.com* or by writing to Investor Relations, Validus Holdings, Ltd., Suite 1790, 48 Par-la-Ville Road, Hamilton, HM 11, Bermuda. The Company will post on its website any amendment to or waiver under the Code of Business Conduct and Ethics for Directors, Officers and Employees or the Code of Ethics for Senior Officers granted to any of its Directors or executive officers that relates to any element of the code of ethics definition set forth in Item 406 of Regulation S-K of the Securities Act of 1933, as amended.

Board Committees

The Board has established an audit committee, a compensation committee, an executive committee, a finance committee, a corporate governance and nominating committee and a risk committee. Under the applicable requirements of the NYSE, each of the audit, compensation and corporate governance and nominating committees consists exclusively of members who qualify as independent directors.

The following table details the composition of our Board committees:

Director Name	Audit	Compensation	Executive	Finance	Governance	Risk
Edward J. Noonan			ü	ü		ü
Matthew J. Grayson			ü	Chair		ü
Jeffrey W. Greenberg			ü			
John J. Hendrickson	Chair	ü				ü
Sander M. Levy		Chair		ü	ü	ü
Jean-Marie Nessi	ü				Chair	ü
Mandakini Puri		ü	Chair		ü	
Alok Singh		ü		ü		
Christopher E. Watson	ü					Chair

Audit Committee. Our audit committee is currently composed of John J. Hendrickson, Jean-Marie Nessi and Christopher E. Watson and is chaired by Mr. Hendrickson. John Fitzpatrick resigned from the audit committee and the Board on March 22, 2011 and Christopher E. Watson joined the audit committee as of the same date. The audit committee assists the Board of Directors in its oversight of the integrity of our financial statements and our system of internal controls, the independent auditors qualifications, independence and performance, the performance of our internal audit function and our compliance with legal and regulatory requirements. The audit committee also prepares the report required to be included in our annual proxy statement. Each member of the audit committee is independent within the meaning of the rules of the NYSE. Mr. Hendrickson is an audit committee financial expert as defined by the SEC. The duties and responsibilities of the audit committee are set forth in the committee s charter. The audit committee met 4 times during 2010. The audit committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act.

Compensation Committee. Our compensation committee is composed of John J. Hendrickson, Sander M. Levy, Mandakini Puri, and Alok Singh, and is chaired by Mr. Levy. The compensation committee assists the Board in matters relating to compensation of our Chief Executive Officer, executive officers and other matters of non-executive officer compensation that are subject to Board approval. The compensation committee also prepares the report on executive officer compensation required to be included in the Company s annual proxy statement, in accordance with applicable rules and regulations. Each member of the compensation committee is independent within the meaning of the rules of the NYSE. The duties and responsibilities of the compensation committee are set forth in the committee s charter. The compensation committee met 4 times during 2010.

The compensation committee has evaluated certain risks associated with the Company s compensation policies and has concluded that the existing compensation policies align management with shareholders (i) through the direct relationship of the annual component of compensation to the Company s financial performance and (ii) by providing an incentive for management to consider the consequences of decision making on the long-term value of the Company s stock through long-term restricted shareholdings. Based on this evaluation, the compensation committee has affirmatively determined that the Company s compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

In February 2010, the compensation committee engaged Towers Watson to review and make recommendations with respect to executive compensation. The fees paid during 2010 to Towers Watson for this service were $270,694. Total fees paid to affiliates of Towers Watson for brokerage and actuarial services during 2010 were $1,291,157. The decision to engage such affiliates was made by management and the Board did not specifically approve these engagements, nor did the Board have any role in selecting which insurance or reinsurance contracts would be underwritten and therefore, which broker would receive commissions from the Company.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee is composed of Sander M. Levy, Jean-Marie Nessi and Mandakini Puri and is chaired by Mr. Nessi. Ms. Puri was appointed to the corporate governance and nominating committee on February 9, 2011. The corporate governance and nominating committee assists the Board in (1) identifying individuals qualified to become board members or members of the committees of the Board, and recommending individuals that the Board of Directors select as director nominees to be considered for election at the next annual general meeting of Shareholders or to fill vacancies; (2) developing and recommending to the Board appropriate corporate governance guidelines; and (3) overseeing the evaluation of the Board, management and the Board committees and taking a leadership role in shaping the Company s corporate governance policies. Each member of the corporate governance and nominating committee is independent within the meaning of the rules of the NYSE. The duties and responsibilities of the corporate governance and nominating committee are set forth in the committee s charter. The corporate governance and nominating committee met 4 times during 2010.

Identifying and Evaluating Nominees. The corporate governance and nominating committee is responsible for reviewing with the Board, on an annual basis, the skills and characteristics appropriate for new Board members as well as an assessment of the skills and characteristics of the Board as a whole. While there is no formal policy with respect to diversity of board members, when seeking a new member or evaluating the current membership, the corporate governance and nominating committee works with the Board to determine the appropriate characteristics, skills and experiences for the Board as a whole and its individual members. Characteristics expected of all directors include independence, integrity, high personal and professional ethics, sound business judgment, and the ability and willingness to commit sufficient time to the Board. In evaluating the suitability of individual Board members, the corporate governance and nominating committee takes into account many factors, including a candidate s experiences in and understanding of, the (re)insurance industry, corporate finance and investments as well as his or her business, educational and professional background. When the Board determines to seek a new member, whether to fill a vacancy or otherwise, the corporate governance and nominating committee may employ third-party search firms and will consider recommendations from Board members, management and others, including Shareholders.

Nominees Recommended by Shareholders. The corporate governance and nominating committee will consider, for Director nominees, persons recommended by Shareholders, who may submit recommendations to the corporate governance and nominating committee in care of the General Counsel at Validus Holdings, Ltd., Suite 1790, 48 Par-la-Ville Road, Hamilton, HM 11, Bermuda. To be considered by the corporate governance and nominating committee, such recommendations must be accompanied by a description of the qualifications of the proposed candidate and a written statement from the proposed candidate to the effect that he or she is willing to be nominated and desires to serve if elected. Nominees for Director who are recommended by Shareholders to the

corporate governance and nominating committee will be evaluated in the same manner as any other nominee for Director.

Executive Committee. Our executive committee is composed of Matthew J. Grayson, Jeffrey W. Greenberg, Edward J. Noonan and Mandakini Puri, and is chaired by Ms. Puri. The duties and responsibilities of the executive committee are set forth in the committee s charter. The executive committee exercises the power and authority of the Board when the entire Board is not available to meet. In furtherance of these purposes, the committee provides guidance and advice, as requested, to the Chairman of the Board and the Chief Executive Officer regarding business strategy and long range business planning. The executive committee did not meet during 2010.

Finance Committee. Our finance committee is composed of Matthew J. Grayson, Sander M. Levy, Edward J. Noonan and Alok Singh, and is chaired by Mr. Grayson. The duties and responsibilities of the finance committee are set forth in the committee s charter. The finance committee oversees the finance function of the Company, including the investment of funds and financing facilities. In furtherance of this purpose, the committee approves the appointment of the Company s investment managers, evaluates their performance and fees, and approves the investment policies and guidelines established by the Company. In addition, the committee approves the Company s strategic asset allocation plan, reviews the adequacy of existing financing facilities, monitors compliance with debt facility covenants and monitors the status of rating agency evaluations and discussions. The finance committee met 4 times during 2010.

Risk Committee. Our risk committee is composed of Matthew J. Grayson, John J. Hendrickson, Sander M. Levy, Jean-Marie Nessi, Edward J. Noonan and Christopher E. Watson and is chaired by Mr. Watson. The duties and responsibilities of the risk committee are set forth in the committee s charter. The risk committee also oversees the underwriting function of the Company, including all aspects of risk and (re)insurance. The risk committee met 4 times during 2010.

Communications with Members of the Board of Directors

Shareholders and other interested parties may communicate directly with one or more Directors (including any presiding director or all non-management Directors as a group) by mail in care of the Company s Corporate Secretary, at Validus Holdings, Ltd., Suite 1790, 48 Par-la-Ville Road, Hamilton, HM 11, Bermuda and specifying the intended recipient(s). All such communications will be forwarded to the appropriate Director(s) for review, other than unsolicited commercial solicitations or communications.

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DIRECTOR COMPENSATION

Director Summary Compensation Table

The following table sets forth the compensation paid by the Company to Directors for services rendered in the fiscal year ended December 31, 2010:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
Edward J. Noonan(1)	$	$	$
George P. Reeth(2)			
John Fitzpatrick(3)	96,000		96,000
Matthew J. Grayson			
Jeffrey W. Greenberg			
John J. Hendrickson	146,000		146,000
Sander M. Levy			
Jean-Marie Nessi	106,000		106,000
Mandakini Puri	83,500		83,500
Sumit Rajpal(4)			
Alok Singh			
Christopher E. Watson			

(1) Edward J. Noonan, the Chairman of the Board and the Chief Executive Officer, received no separate compensation for his service as a Director. The compensation received by Mr. Noonan as an officer of the Company is shown in the Summary Compensation Table.

(2) George P. Reeth, the former President and Deputy Chairman, received no separate compensation for his services as Director through his resignation date of November 15, 2010. Mr. Reeth currently serves as a special advisor to the Board for which he receives annual compensation of $664,350. The compensation received by Mr. Reeth as an officer of the Company is shown in the Summary Compensation Table.

(3) Mr. Fitzpatrick resigned from the Board on March 22, 2011.

(4) Mr. Rajpal resigned from the Board on February 7, 2011.

Cash Compensation Paid to Non-Employee, Non-Sponsor Related Directors

During the year ended December 31, 2010, Messrs. Fitzpatrick, Hendrickson and Nessi and Ms. Puri, our non-employee, non-sponsor-related Directors each received an annual retainer of $70,000 for serving as a Director and $2,500 for each Board meeting that such Director attended. In addition, our non-employee, non-sponsor-related Directors each received a fee of $2,000 for each committee meeting that they attended other than those committees on which such Director served as Chairman. Mr. Hendrickson received an additional annual retainer fee of $50,000 for chairing the audit committee and Mr. Nessi received an additional annual retainer of $10,000 for chairing the corporate governance and nominating committee. Pursuant to our Director Stock Compensation Plan, Directors are able to elect to receive their annual retainers in the form of our common shares or to defer their annual retainers into share units (other than in the case where such a deferral would be subject to U.S. income tax). In addition, we reimburse each of our Directors for all reasonable expenses in connection with the attendance of meetings of our Board of Directors and any committees thereof.

Equity Based Compensation Paid to Non-Employee Directors

We have a Director Stock Compensation Plan. Our Director Stock Compensation Plan is designed to attract, retain and motivate members and potential members of our Board of Directors. Under this plan, each Director may make an election in writing on or prior to each December 31 to receive his or her annual retainer fees payable in the following plan year in the form of shares instead of cash. The number of shares distributed in case of election under the plan is equal to the amount of the annual retainer fee otherwise payable on such payment date divided by 100% of the fair market value of a share on such payment date.

This plan further provides that a Director who has elected to receive shares pursuant to the above may make an irrevocable election on or before the December 31 immediately preceding the beginning of a plan year to defer delivery of all or a designated percentage of the shares otherwise payable as his or her annual retainer for service as a Director for the plan year, provided that such deferral is not subject to U.S. income tax. All shares that a Director elects to defer will be credited in the form of share units to a bookkeeping account maintained by the Company in the name of the Director. Each such unit will represent the right to receive one share at the time determined pursuant to the terms of the plan.

Compensation Committee Interlocks and Insider Participation

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

Shareholders Agreement and Related Provisions

Certain of our shareholders who acquired our common shares prior to the date of our initial public offering (Existing Shareholders) and we have entered into a shareholders agreement dated as of December 12, 2005 that governs certain relationships among, and contains certain rights and obligations of, such Existing Shareholders.

In connection with any future public offerings of common shares by us, the shareholders agreement grants those Existing Shareholders certain rights to participate in registered offerings by us of our common shares, including demand and piggyback registration rights. The shareholders agreement defines Aquiline Capital Partners, LLC (together with its related companies Aquiline), Goldman Sachs Capital Partners, Vestar Capital Partners, New Mountain Capital and Merrill Lynch Global Private Equity as Sponsors. So long as a Sponsor continues to beneficially hold at least 1/3 of its original common shares, a Sponsor is deemed to be a Qualified Sponsor. The shareholders agreement permits Qualified Sponsors to make up to four demand registrations.

These demand and piggyback registration rights are subject to limitations as to the maximum number of shares that may be registered if the managing underwriter in such an offering advises that the number of shares offered should be limited due to market conditions or otherwise. We are required to pay all expenses incurred in connection with demand and piggyback registrations, excluding, in the case of demand registrations, underwriting discounts and commissions.

Each of Goldman Sachs Capital Partners and Merrill Lynch Global Private Equity are entitled to require pursuant to the shareholders agreement that the Company appoint each of Goldman Sachs and Merrill Lynch to act as a lead managing underwriter for certain demand registrations; provided that each of Goldman Sachs and Merrill Lynch individually are recognized at the time as a leading underwriter for such securities and affiliates of Goldman Sachs and Merrill Lynch are Qualified Sponsors at such time and the terms offered are market terms.

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

Relationships with Our Founder and Sponsoring Investors and Their Related Parties

On December 8, 2005, Validus Reinsurance, Ltd. (Validus Re) entered into an agreement with Goldman Sachs Asset Management and its affiliates (GSAM) under which GSAM was appointed as an investment manager for part of Validus Re s investment portfolio. Investment management fees earned by GSAM for year ended

December 31, 2010 were $1,728,000. Sumit Rajpal, who served as a Director of the Company until February 7, 2011, serves as a managing director of Goldman, Sachs & Co.

Pursuant to reinsurance agreements with Syndicate 4020 at Lloyd s, a syndicate managed by Ark Syndicate Management Limited, a subsidiary of Group Ark Insurance Holdings Ltd. (Group Ark), the Company has recognized reinsurance premiums ceded of $737,853 for the year ended December 31, 2010. In addition, pursuant to reinsurance agreements with a subsidiary of Group Ark, the Company recognized gross premiums written during the year ended December 31, 2010 of $2,238,778. The contract terms were negotiated on an arms-length basis. Aquiline and its affiliates own a majority of the ordinary shares of, and Messrs. Greenberg and Watson serve as directors of, Group Ark.

Aquiline is also a shareholder of Tiger Risk. Pursuant to certain reinsurance contracts, the Company recognized brokerage expenses paid to Tiger Risk of $1,461,238 during the year ended December 31, 2010. Mr. Watson serves as a director of Tiger Risk.

In November of 2009, the Company entered into an Investment Management Agreement with Conning, Inc. (Conning) to manage a portion of the Company s investment portfolio. Conning is wholly owned by Aquiline. Messrs. Hendrickson and Greenberg serve as directors of Conning Holdings Corp., the parent company of Conning and Michael Carpenter, the chairman of Talbot Holdings, Ltd. serves as a director of a subsidiary of Conning Holdings Corp. Investment management fees of $379,348 were incurred under this agreement during the year ended December 31, 2010.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our compensation program is designed to motivate executives to maximize the creation of shareholder value, therefore aligning, as much as possible, our named executive officers rewards with our shareholders interests. Our compensation program is composed of three principal components:

- Salary and Benefits;
- Annual incentive compensation (annual incentive award); and
- Long-term incentive compensation typically in the form of time vested and/or performance based restricted shares.

Our compensation plans are intended to offer opportunities that are competitive with our peer group and consistent with the Company s relative performance over time. In addition, we want our rewards to accommodate the risk and cyclicality of our business. At the time the Company negotiated its employment agreements with the named executive officers, the Company undertook to implement a performance based compensation strategy. To that end, the Company s compensation package includes a fixed component consisting of salary and benefits and two variable components consisting of annual incentive compensation and long-term incentive compensation. To better implement this strategy, a greater emphasis is placed on the variable elements that relate to performance and less of an emphasis is placed on the fixed elements of compensation that do not.

Our Chief Executive Officer makes recommendations to the Compensation Committee with respect to the compensation of our named executive officers other than himself. Our Compensation Committee reviews and, if appropriate, approves the compensation recommendation made for each of our named executive officers and determines the compensation for our Chief Executive Officer. In 2010, the annual incentive compensation for each of our named executive officers was primarily based on the results of the segment in which their respective services were rendered, Validus Re, Talbot or Corporate. The compensation of the named executive officers is set forth in the Summary Compensation Table below and their employment agreements are described under Employment Agreements.

The Compensation Committee designs the Company s compensation plans to be competitive with its peers in order to attract and retain talented individuals. The Compensation Committee and the Board regularly perform a review of the Company s compensation practices relative to the Company s peer group. In addition, the Compensation Committee has in the past engaged consultants to provide market data and to assist it in determining appropriate types and levels of compensation. In February 2010, the Compensation Committee engaged Towers Watson to review and make recommendations with respect to executive compensation. In connection with this review, the Compensation Committee reviewed peer group information provided by Towers Watson regarding base salary, annual incentive targets and equity awards offered by our peer group and compared this to what was provided for in the employment agreements of the named executive officers and, other than with respect to the form of long-term incentive equity awards (as further described below under Variable Components of Compensation Long-Term Incentive Compensation), determined that the then current amounts were competitive. The Compensation Committee used this data as a factor it considered as part of its decision making process. The companies included in the Company s 2010 peer group for this purpose were: Allied World Assurance Company Holdings, Ltd., Arch Capital Group Ltd., Argo Group International Holdings, Ltd., Aspen Insurance Holdings Limited, Axis Capital Holdings Limited, Endurance Specialty Holdings Ltd., Everest Re Group, Ltd., Flagstone Reinsurance Holdings Limited, Montpelier Re Holdings

Ltd., PartnerRe Ltd., Platinum Underwriters Holdings, Ltd., RenaissanceRe Holdings Ltd., and Transatlantic Holdings, Inc.

Fixed Components of Compensation

Salary. Our base salaries reflect each executive s level of experience, responsibilities and expected future contributions to the success of the Company. The salaries of our named executive officers were set initially in their employment agreements, and are reviewed on an annual basis. The Company considers factors such as individual performance, cost of living, the competitive environment and existing cash compensation in determining whether salary adjustments are warranted. There is no specific weighting applied to any one factor. Other than Mr. Consolino, whose base salary was increased from $540,000 to $650,000 in connection with his assuming the duties of the President, the base salaries of our named executive officers were not increased in 2010.

Benefits. The Company seeks to provide benefit plans, such as medical coverage and life and disability insurance, in line with applicable market conditions. These health and welfare plans help ensure that the Company has a productive and focused workforce through reliable and competitive health and other benefits. The named executive officers are eligible for the same benefit plans provided to all other employees. Mr. Atkin also participates in Talbot s pension plan.

The Company provides our named executive officers with other benefits that the Company and the Compensation Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain key employees. These benefits are specified in our named executive officers employment agreements. Many of these benefits relate to those executives who reside and/or work in Bermuda and are typical of such benefits provided to expatriates in Bermuda. Examples of these benefits for Bermuda-based expatriates include housing and housing gross up allowances, car and education allowances, club memberships, tax preparation services and home leave for executives and family for those executives working outside their home country. These benefits are described under Summary Compensation Table and Employment Agreements below.

Variable Components of Compensation

Annual Incentive Compensation. The Company has an annual incentive compensation program in which employees of the Validus Re, Talbot and Corporate segments participate. The Company s 2010 annual incentive program was based 80% on Company financial performance and 20% on the achievement of strategic objectives as evaluated by the Compensation Committee. The strategic objectives for 2010 varied by segment and included: (i) with respect to the Corporate Segment: (a) to return capital to shareholders and (b) to continue to grow the Company s diluted book value per share plus dividends; and (ii) with respect to the Talbot and Validus Re segments: (a) to continue to focus on short-tail and specialty classes of business and (b) to continue to develop a robust enterprise risk management program to comply with corporate objectives and regulatory requirements. As more fully described below, the financial performance-based portion of our annual incentive pool for all participating employees, including our named executive officers, is generated based on financial guidelines for Validus Re, Talbot and Corporate segment employees approved by the Compensation Committee.

The target aggregate annual incentive bonus pool is determined through the aggregation of annual target bonuses for all of the employees eligible to receive an annual incentive award. Separate annual incentive pools based on cumulative employee target bonus amounts are established for each of our segments: Validus Re, Talbot and Corporate. For executive officers, target annual incentive bonuses are determined at the time that such executive officers enter into employment agreements and these employment agreements, including target annual incentive bonus amounts, are approved by the Compensation Committee. Factors considered by the Compensation Committee in approving executive target annual incentive bonus amounts at the time that the Compensation Committee approves executive employment agreements include experience, their perceived ability to contribute to growth in the Company s profitability, compensation available to the executive elsewhere in a competitive labor market and the executive s role within the Company. For employees other than executive officers, target annual incentive bonuses are set as a percentage of base salary, and can range from 15% to 150% of base salary. The aggregation of these amounts establishes the respective target bonus pools.

The Company s current year annual budget, including the target annual incentive bonus pool, is presented to the Board at the February board of directors meeting. At this time, the Compensation Committee takes no specific action with respect to the target bonus pool within the current year budget, as the primary focus of the Committee is approving the aggregate annual incentive pools for the prior calendar year as described below. After full year results of operations are known for the Company, at the February board of directors meeting following the end of each calendar year, the Compensation Committee approves specific aggregate annual incentive pool amounts to be paid for the most recently completed calendar year. These amounts are determined using the financial scale established at the previous May board of directors meeting (as more fully described below) to evaluate the Company s actual results, including underwriting income (net premiums earned less losses and loss expenses, acquisition costs and general expenses), combined ratio, net operating income, consolidated operating return on average equity and growth in diluted book value per share plus dividends against the most recently completed year s budget as approved by the Board. After considering the Company s performance relative to budget, management recommends to the Compensation Committee annual incentive pools which can range from a 20% minimum to a 150% maximum of the target annual incentive pool based solely on the percentage achievement of budget as measured on the financial scale. For example, a hypothetical 85% scaled achievement of budget would result in a management recommendation to the Compensation Committee that the annual incentive pool be set at up to 85% of the target annual incentive pool. In this hypothetical example, the Compensation Committee would consider approving a total aggregate annual incentive bonus pool of up to 85% of the target annual incentive bonus pool, made up of 68% (equal to 80% of 85%) based on financial performance and up to 17% (equal to 20% of 85%) based on assessment of performance against strategic objectives.

The Company s Chief Executive Officer then presents to the Compensation Committee a schedule of recommendations for actual bonuses to be paid for executive officers that report to the Chief Executive Officer. In preparing these recommendations, the Chief Executive Officer considers: (i) each individual s contribution to the success and growth of his or her department and/or the Company as a whole; and (ii) a subjective assessment of the individual s contributions to the Company s goals, as determined following the end of the calendar year by the Chief Executive Officer. For executive officers, the recommendation made by the Chief Executive Officer can range from 0% to 150% of the executive s target annual incentive bonus. While a named executive officer s target annual incentive percentage is used as a guide, the Chief Executive Officer has the latitude to recommend (for the other named executive officers) and the Compensation Committee has the authority to re-deploy, annual incentive awards by individual based on the views of our Chief Executive Officer and the Compensation Committee of the individual s contribution to the success of the Company. The target annual incentive for each of Messrs. Noonan, Consolino, Mercer and Ward is 150% of base salary, as specified in each named executive officer s employment agreement. For other employees, the recommendation is based on discussions between the Chief Executive Officer and the executive officer managing the applicable employee s department. In each case, the actual percentage funding of the annual incentive bonus pool is an important element of the bonus to be paid.

At the May Board of Directors meeting, the Compensation Committee considers and establishes a financial scale which is used to determine the amount of funding for the then current year annual incentive bonus pool for bonus determinations to be made following the end of that calendar year based on the target annual incentive bonus pool, the Company s budget and actual results. The financial scale is derived using a hypothetical range of the loss and loss expense, which is the most variable item in the Company s performance. The financial scale is then used to determine the amount of funding for the annual incentive bonus pool. The resulting funding for the annual incentive pool is further subdivided into two components an 80% portion based on financial performance and a 20% portion based on achievement of strategic objectives as determined retrospectively by the Compensation Committee. For the 2010 performance year, the primary financial guidelines were underwriting income (defined as net premiums earned less loss and loss expenses, policy acquisition costs and general and administrative expenses excluding target annual incentive accrual and share-based compensation expense), combined ratio, net operating income, consolidated operating return on average equity and growth in diluted book value per share plus dividends. The Compensation Committee reviews the financial guidelines during each year in light of market developments (for example, acquisitions, catastrophes and competitive pricing environment). We expect that the relative weighting of these guidelines will vary depending on market developments. The Compensation Committee has substantial flexibility to adjust the annual incentive compensation program to reflect unforeseen factors.

In February 2010, the Board approved a budget as follows:

($ in 000s)

Financial Metric	Validus Re	Talbot	Consolidated
Underwriting Income	$ 400,842	$ 59,013	$ 380,370
Combined Ratio	62.6%	92.2%	79.2%
Net Operating Income	$ 537,836	$ 81,921	$ 482,575
Operating Return on Average Equity	14.9%	12.5%	11.9%
Growth in Diluted Book Value Per Share Plus Dividends			14.8%

The Company s actual results for 2010 were as follows:

Financial Metric	Validus Re	Talbot	Consolidated
Underwriting Income	$ 236,193	$ 59,212	$ 242,437
Combined Ratio	77.5%	91.7%	86.2%
Net Operating Income	$ 348,726	$ 95,431	$ 322,763
Operating Return on Average Equity	9.7%	14.6%	8.6%
Growth in Diluted Book Value Per Share Plus Dividends			14.1%

The Company s underwriting income for the year ended December 31, 2010 was $242.4 million compared to $450.2 million for the year ended December 31, 2009, a decrease of $207.8 million or 46.2%, due primarily to increased notable less events.

The Company s combined ratio for the year ended December 31, 2010 was 86.2%, compared to a combined ratio of 68.9% for the year ended December 31, 2009.

The Company s net operating income for the year ended December 31, 2010 was $322.8 million compared to net operating income of $533.3 million for the year ended December 31, 2009, a decrease of $210.5 million, or 39.5%, primarily due to a decrease in the gain on bargain purchase, net of expenses of $287.1 million relating to the acquisition of IPC Holdings, Ltd. as well as decreased underwriting income as noted above.

Operating return on average equity was 8.6% for the year ended December 31, 2010 as compared to 18.9% for the year ended December 31, 2009. The decrease in operating return on average equity was driven primarily by a decrease in underwriting income.

Diluted book value per share at December 31, 2010 was $32.98, as compared to $29.68 at December 31, 2009. During the year ended December 31, 2010, shareholders equity decreased by $526.3 million, as share repurchases by the Company exceeded net income during the year. However, common shares outstanding decreased from 128.5 million to 98.0 million as a result of the Company s share repurchase activity. The repurchase of a substantial portion of the Company s shares outstanding at a price lower than diluted book value per share had the effect of increasing diluted book value per share. After adjustment to reflect the $0.88 per share in dividends paid by the Company in 2010, diluted book value per share plus accumulated dividends rose by $4.18 during the year or 14.1%.

Annual incentive awards are made once the financial results for the year are available. With the exception of certain awards made in 2010 for the 2009 fiscal year, awards earned in excess of a named executive officer s target annual incentive, if any, are paid in the form of restricted shares that will vest equally over three years (331/3% each year) to the extent that the Compensation Committee approves such grants. As a result, the income statement effect of this portion of the annual incentive compensation will be recognized over the succeeding three year period in accordance with ASC718, rather than being reflected as an expense in the year in which such award was granted. In 2010, for service in 2009, Messrs. Noonan, Consolino, Atkin, Mercer, Ward and Reeth each received 52,881, 41,082, 24,933, 15,391, 28,897 and 27,516 shares of restricted stock, respectively, for amounts awarded in excess of such officers target annual incentive. Awards paid in excess of a named executive officer s target may, at the discretion of the Chief Executive Officer and the Compensation Committee, also be based on exceptional performance by the executive, based on review of the executive s achievements during the year, including strategic, financial and general performance considerations, without regard to the size of the pool and are typically paid in the

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form of restricted stock. Annual incentive awards payable to employees of the Talbot segment are payable 100% in cash, with one-half of the amount payable in the year in which the award is granted and the other half payable the following year, subject to continued employment with the Company.

For the year ended December 31, 2010, the Compensation Committee considered the Company s financial results and strategic objectives described above and determined that: (i) the Validus Re segment did not achieve its budgeted financial guidelines but satisfactorily achieved its strategic objectives; (ii) the Talbot segment exceeded its budgeted financial guidelines but failed to fully achieve certain of its strategic objectives; and (iii) the consolidated results of the Company did not achieve the budgeted financial guidelines but the Corporate segment exceeded expectations with respect to the achievement of its strategic objectives. In making this determination, the Compensation Committee considered each segment s strategic objectives as well as the Company s and the respective segments financial performance relative to budget. As a result, the annual incentive pools were set at 64.2% of the target annual incentive pool for the Validus Re segment, at 80.0% of target for the Corporate segment and at 135.6% of target for the Talbot segment; *provided, however*, that the Compensation Committee retained the discretion to reduce the 50% deferred portion of the Talbot segment annual incentive award by 20% subject to the completion of certain of its 2010 strategic objectives. The Compensation Committee determined that these results merited incentive compensation at 80% of target for Mr. Noonan and, based on Mr. Noonan s recommendations to the Compensation Committee, at 80% of target for Messrs. Consolino and Mercer and at 70.1% of target for Mr. Ward. For 2010, Mr. Atkin was entitled to 10% of the Talbot annual incentive pool. This amount is payable 100% in cash, with 50% of the amount payable in one year subject to continued employment and 20% of the deferred amount subject to the completion of certain 2010 strategic objectives as noted above. The actual annual incentive awarded to each of our named executive officers for service in 2010 is set forth under Summary Compensation Table.

Long-Term Incentive Compensation. The goal of our long-term incentive plan is to align the interests of our executives and shareholders and to attract talented personnel. At the time the Company first negotiated employment agreements with, Messrs. Noonan, Consolino, Mercer and Ward, they were each awarded various levels of restricted share and stock option grants. Since that time, each of our named executive officers has received various awards of restricted stock. Mr. Atkin also received an initial equity award in connection with his employment agreement and also received shares of the Company at the time of the acquisition of Talbot as partial consideration for his Talbot stock. The shares received as partial consideration are being treated as compensation for financial reporting purposes because the shares are subject to forfeiture for a period of time. All of the aforementioned grants and their terms are described under Grants of Plan-Based Awards Table for the Fiscal Year Ended December 31, 2010 and Restricted Share and Option Agreements below.

After reviewing the results of the Towers Watson study referred to above, the Compensation Committee determined that including performance shares as two-thirds of the long-term incentive compensation grants would most closely align the named executive officers long-term incentive compensation with results generated for Shareholders. In considering the appropriate financial metric for these awards, the Compensation Committee determined that growth in diluted book value per share (DBVPS) plus dividends was the most appropriate measure of increase in long-term shareholder value. As a result, on November 3, 2010 the Compensation Committee awarded each of the named executive officers long-term incentive awards in the amounts set forth below:

Named Executive Officer	Notional $ Amount	Total Shares(1)	Time Vested Restricted Shares	Performance Based Share Awards
Edward J. Noonan	$ 1,250,000	43,554	14,518	29,036

Joseph E. (Jeff) Consolino	$ 750,000	26,132	8,711	17,421
C.N. Rupert Atkin	$ 750,000	26,132	8,711	17,421
Conan M. Ward	$ 750,000	26,132	8,711	17,421
Stuart W. Mercer	$ 600,000	20,906	6,969	13,937

(1) Based on the Company s closing share price on November 2, 2010.

Each time vested restricted share award vests ratably over a three year period beginning on June 1, 2011.

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Each performance share award represents the right to receive, on the terms and conditions set forth in the award agreement evidencing the award, a specified number of common shares of the Company, par value $0.175 per share. Each performance share award shall vest on June 1, 2013 only to the extent that the Company s Dividend Adjusted Performance Period End Diluted Book Value per Share (DADBVPS) increases during the performance period in the percentage amounts described below and certain service requirements are maintained. The grant date DBVPS for these awards is equal to $29.68 and the Performance Period End DADBVPS will be the Company s DADBVPS at December 31, 2012. No performance shares will become eligible for vesting if, at the end of the performance period, the Company s three-year compounded growth in DADBVPS is 7% or less. If, at the end of the performance period, the Company s three-year compounded growth in DADBVPS is between 7% and 12%, then 10% to 100% of the performance shares will be eligible for vesting, scaled such that each 50 bps increase in growth results in a 10% increase in vesting; *provided, however,* that the Compensation Committee has the discretion to allow 25% of the performance shares to vest in the event that the Company s growth in DADBVPS is 8% or less. If, at the end of the performance period, the Company s three-year compounded growth in DADBVPS is between 12% and 18%, then 100% to 175% of the performance shares will be eligible for vesting, scaled such that each 50 bps increase in growth results in a 6.25% increase in vesting. The value of these awards to each named executive officer is set forth in the Summary Compensation Table below. In making these awards and setting the terms thereof, the Compensation Committee considered target annual grants as determined by the 2010 compensation study described above.

In the future, the Compensation Committee may make annual equity grants to our named executive officers, with an objective of the value of each award being between 50-150% of base salary.

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REPORT OF THE COMPENSATION COMMITTEE ON THE COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis section included in this proxy statement with management. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this proxy statement for filing with the SEC.

Compensation Committee
Sander M. Levy (Chairman)
John J. Hendrickson
Mandakini Puri
Alok Singh

SUMMARY COMPENSATION TABLE

The following table sets forth for the fiscal years ended December 31, 2010, 2009 and 2008 the compensation of our Chief Executive Officer, Chief Financial Officer and our next four most highly compensated executive officers:

Name and Principal Position	Year	Salary(1)	Stock Awards(2)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Edward. J. Noonan	2010	$ 971,375	$ 2,628,607	$ 1,152,000	$ 621,433(3)	$ 5,373,415
Chairman and Chief	2009	950,000	750,000	1,758,900	502,011	3,960,911
Executive Officer	2008	950,000	1,674,328		507,636	3,131,964
Jeff Consolino	2010	609,201	1,820,996	780,000	617,274(4)	3,827,471
President and Chief	2009	540,000	750,000	1,114,000	462,025	2,866,025
Financial Officer	2008	540,000	1,306,027		469,859	2,315,886
Conan M. Ward	2010	613,500	1,503,333	650,000	672,587(5)	3,439,420
Validus Re Chief Executive	2009	562,083	750,000	1,046,667	481,086	2,839,836
Officer	2008	535,000	1,106,015		470,338	2,111,353
C. N. Rupert Atkin	2010	603,397	1,399,992	800,000	1,014,865(6)	3,818,254
Talbot Chief Executive Officer	2009	531,461	750,000	575,000	138,139	1,994,600
	2008	387,748		235,000	315,598	938,346
Stuart W. Mercer	2010	547,037	1,001,246	550,000	512,331(7)	2,610,614
Executive Vice President	2009	535,000	500,001	802,500	397,309	2,234,810
	2008	535,000	1,019,448		387,395	1,941,843
George P. Reeth	2010	659,513	717,342	797,220	525,123(8)	2,699,198
Former President and	2009	645,000	750,000	1,082,670	486,755	2,964,425
Deputy Chairman	2008	645,000	1,206,021		465,018	2,316,039

(1) The numbers presented represent earned salary for the full years ended December 31, 2010, 2009, and 2008.

(2)

Amounts reflect the grant date fair value of grants made during the fiscal years ended December 31, 2010, 2009 and 2008 excluding the effect of forfeitures. See Note 15 in our consolidated financial statements filed on Form 10-K for the year ended December 31, 2010 for a discussion of the assumptions used in computing the grant date fair value of stock based compensation awards. Includes shares granted in 2010 for service in 2009 for amounts awarded in excess of such executive officer s target annual incentive as further described under Compensation Discussion and Analysis Variable Components of Compensation above.

(3) Includes payments in lieu of defined contribution plan contributions ($97,138), housing allowance ($240,000), housing tax gross up ($103,385), payroll tax benefit ($136,017), car allowance ($10,800), travel allowance ($nil), club dues ($6,884), tax preparation services, internet access and medical, life and accidental death and dismemberment insurance.

(4) Includes defined contribution plan contributions and allocations ($60,920), housing allowance ($248,000), housing tax gross up ($77,538), payroll tax benefit ($117,178), school allowance ($43,412), travel allowance ($25,000), club dues ($3,850), car allowance ($10,800), tax preparation services, internet access and medical, life and accidental death and dismemberment insurance.

(5) Includes defined contribution plan contributions and allocations ($61,350), housing allowance ($216,000), housing tax gross up ($113,992), payroll tax benefit ($119,700), school allowance ($84,889), travel allowance ($25,000), club dues ($11,700), car allowance ($10,800), tax preparation services, internet access and medical, life and accidental death and dismemberment insurance.

(6) Includes defined contribution plan contributions ($120,679), deferred bonus pursuant to employment agreement, ($875,334), travel allowance, medical, life and accidental death and dismemberment insurance.

(7) Includes defined contribution plan contributions and allocations ($54,704), housing allowance ($216,000), housing tax gross up ($77,538), payroll tax benefit ($109,812), car allowance ($10,800), travel allowance ($nil), club dues ($7,820), tax preparation services, internet access and medical, life and accidental death and dismemberment insurance.

(8) Includes payments in lieu of defined contribution plan contributions ($65,951), housing allowance ($200,000), housing tax gross up ($75,385), payroll tax benefit ($122,351), travel allowance ($25,000), club dues ($4,840), tax preparation services, internet access and medical, life and accidental death and dismemberment insurance.